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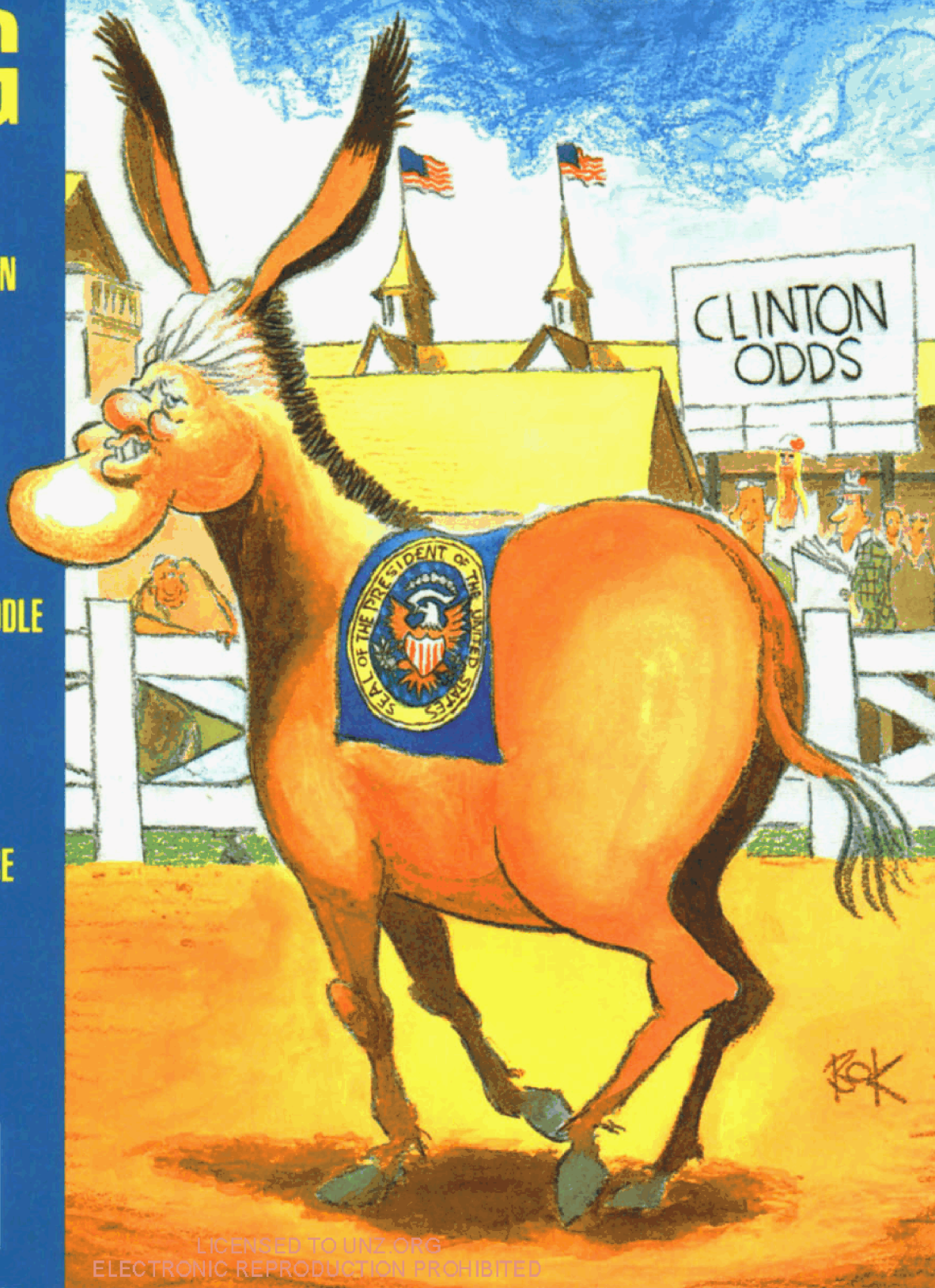

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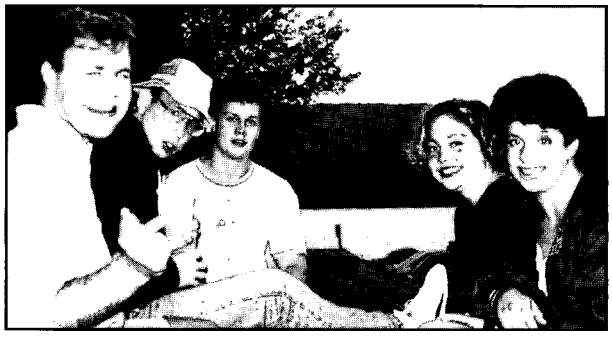

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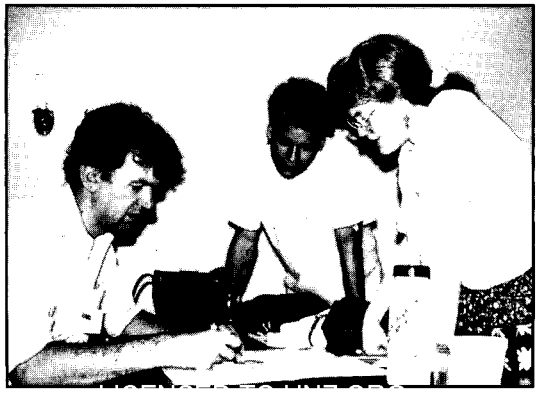

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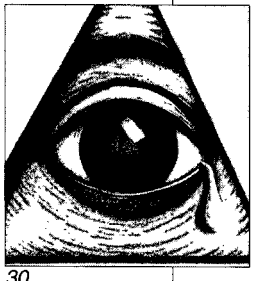

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REAL WORLD ECONOMICS

VIRGINIA I. POSTREL

When he talks to most CEOs, Harvard Business School professor Michael Porter's hourly rate runs into five figures. But when the chief executive is the president-elect, he waives his fee. And at the economic conference in Little Rock, Bill Clinton got what he paid for.

Porter gave him data that were out of date and conclusions that were out of touch. And Porter wasn't alone. When they look at the international economy, too many of Clinton's advisers neglect new information, overlook new trends, and ignore uncomfortable realities.

Take the Porter fallacy. On "the firing line of international competition," Porter declared, "success depends on relentless investment by companies." He showed graphs to illustrate that "American industry as a whole is simply being outinvested—dramatically." The data were from 1990. That year, U.S. companies spent $524 billion on physical capital, while Japanese companies spent $586 billion.

But a lot has happened in the intervening two years. Japan's bubble has burst. The stock-market boom that made capital look free to Japanese companies has ended in a crash, leaving them scrambling to cover debt that bondholders are no longer interested in converting to stock.

And not all those investments are turning out well. When the cost of capital is zero, you don't scrutinize projects very carefully. And contrary to the apparent Clinton philosophy, investing "relentlessly" without regard to the payoff is foolish.

"Examples of wasteful Japanese investment range from fancy new headquarters buildings and brand-new laboratories without the qualified staff to fill them to spending on every sort of staff amenity—shiny new corporate dormitories for employees, swimming pools, saunas, and so forth," writes Christopher Wood in his new book *The Bubble Economy*. And, reports *The Wall Street Journal*, Nissan and Mazda both have expensive new plants that are running "well below capacity."

Now Japanese companies are cutting capital spending substantially. And they are undergoing wrenching restructurings. They can no longer afford to build market share for its own sake, or to follow competitors into every market rather than find strategic niches, or to assume that demand will expand to absorb any new production. The simple-minded philosophy that McKinsey & Co. consultant Kenichi Ohmae criticizes as "do more better" has become too expensive to sustain.

But nobody has told Bill Clinton. His advisers aren't paying attention.

And despite their vaunted interest in productivity, they're also ignoring fascinating new data on exactly that subject. In October, McKinsey Global Institute released a massive international study of service-sector productivity, vetted by such Clinton supporters as Nobel economist Robert Solow and Martin Baily of the University of Maryland. The study also reports new data on manufacturing productivity gathered by economists at the University of Groningen in the Netherlands. Among the report's results:

- Manufacturing productivity in Japan and Germany is about 80 percent of that in the United States. From 1950 to 1979, productivity in those countries grew much faster than in the United States. But from 1979 to 1989 (the most recent year for which data were available), West German productivity grew by a mere 1.1 percent a year while U.S. productivity growth accelerated to 3.5 percent a year (compared to only 0.9 percent from 1973 to '79), approaching the Japanese rate of 4.6 percent.
- Productivity in four service sectors—airlines, telecommunications, retailing, and retail banking—is higher in the United States than in Germany, France, the United Kingdom, or Japan. Restaurant productivity is higher only in France. And the major reason for higher U.S. productivity is the greater competition and flexibility permitted by less government regulation.

This information didn't make it to Little Rock. Nor did anyone tell Clinton that the U.S. semiconductor industry is flourishing; that Japan has school choice and little preschool training; or that the major reasons Japan spends so much more on infrastructure than the United States are that land is much more expensive, construction is much less efficient, and politicians are funneling pork to rural districts to build roads, bridges, and bullet-train lines to nowhere.

Nobody told Clinton that income inequality is increasing worldwide—*before taxes* and even within professions. This phenomenon is of great interest to serious scholars and may have profound social consequences. But analyzing it carefully detracts from bashing "trickle-down."

International comparisons can be valuable analytical tools, whether for executives looking for more effective business practices or scholars seeking to understand the mysteries of economic life. But such analysis can easily fall into error, usually by mistaking correlation for causality.

Not so long ago, many Americans believed the key to Japanese business success was the loyalty created by lifetime employment and daily calisthenics; the company song made an appearance in

every "what we can learn from Japan" article. More recent analysis points instead to techniques of quality manufacturing and also notes that not all Japanese companies do well. Toyota and Ford have more in common, for instance, than Toyota and Isuzu. And Japan's white-collar workplaces have more to learn from American business than vice versa.

When business people draw the wrong conclusions from international comparisons, they lose money. When scholars do, they lose academic reputation. In both cases, they bear the burden of their mistakes.

Policy makers can also learn from the international scene. But they, too, will make mistakes—no matter how smart or careful or well-meaning they are. And their mistakes will have far greater consequences, because they are playing with other people's money and other people's lives and because a mistake, once written into law, is hard to correct.

The interventionist ideologues who populate the Clinton administration don't understand their own limitations. In their common conviction that the government must direct the economic choices of the nation, deciding where and how much to invest, they are substituting their monolithic decision making for the experimentation of thousands of businesses. By doing so, they are increasing both the risk and the cost of error. And, judging from the Little Rock conference, there will be errors aplenty. ◼

THE RESCUERS

JACOB SULLUM

An Olympic swimmer is walking on a beach when he notices a man who has ventured out too far in the water. Buffeted by waves, he is flailing about, disoriented, calling for help. The only other people in the vicinity are a few children and an old woman.

For George Bush and many supporters of the American intervention in Somalia, the United States is the Olympic swimmer, and Somalia is the drowning man. Because we are uniquely qualified to help, we are morally obligated to do so.

"The people of Somalia...need our help," Bush said when he announced the operation in December. "America must act....Only the United States has the global reach to place a large security force on the ground in such a distant place quickly and efficiently and thus save thousands of innocents from death."

The implicit analogy to bystander intervention is powerful, but it obscures a crucial distinction: The United States is not a person. It is a collection of some 250 million individuals. When the U.S. government acts on their behalf, using the resources of many and risking the lives of some, it is morally constrained in a way that the Olympic swimmer on the beach is not.

American taxpayers have a right to expect that the money they are compelled to contribute to this nation's defense is used for that purpose. American military personnel have a right to expect that their missions will have something to do with protecting U.S. security, the function they have agreed to serve.

Granted, this leaves much room for debate about what constitutes a threat to U.S. security. But the possibilities are not limitless. At the very least, those who argue for U.S. military intervention have the burden of demonstrating some plausible link to national defense. In the case of Somalia, the interventionists have abandoned any pretense of doing this—without a word of protest from a single member of Congress.

The operation in Somalia expands the range of acceptable grounds for military action. It will no longer be an adequate argument against intervention to note that U.S. security interests are not involved.

This does not mean, as some have argued, that the United States from now on will have to intervene everywhere people are suffering and dying. Cost-benefit analysis always plays a role in foreign-policy decisions, as it should. It's relatively easy to get food to starving people in Somalia, considerably harder to rescue Bosnians from Serbian aggression. That might be reason enough to intervene in one case but not the other. A future famine caused by civil war in Africa (an all too likely prospect) may threaten fewer lives or present more formidable strategic challenges. If so, the Somalia precedent need not dictate U.S. policy.

On *This Week with David Brinkley*, Tom Wicker rightly warned against "broad-scale policies, where you say you've always got to do this or that or the other thing." But the alternative he offered, an "ad-lib" approach to foreign policy, is at least as dangerous. Without principles, the United States would have no definitive reason to act, but neither would it have a definitive reason to refrain from acting. Ideally, "broad-scale policies" should establish conditions that are necessary but not sufficient for intervention. Such conditions do not eliminate cost-benefit analysis, but they do dictate when that analysis comes into play.

If intervention can be justified by purely "humanitarian" reasons, U.S. leaders will have to analyze costs and benefits more often. This multiplies the possibilities for disastrous error. At the same time, the humanitarian rationale makes detecting error harder because potential critics of intervention don't want to appear cold-hearted. In the current climate of opinion, for example, questioning the intervention in Somalia is tantamount to endorsing mass starvation.

Even Sam Donaldson, who stressed the risks of setting a precedent during discussions on the Brinkley show, could not bring himself to oppose the operation. "It's a noble impulse," he said. "Who can be against it?" ◼

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LETTERS

Cutting the Static

Ronald Reagan twice demonstrated the ease with which a political constituency can be built for the principles of a "dynamic" society ("Dynamic Tension," Nov.). Had George Bush stuck to those principles, he would not be retiring.

The problem is finding a way to detoxify a society of government addicts. Consider the North American Free Trade Agreement. One political group says scrap the agreement. Another advocates wage-based "mandate" taxes that will cause more jobs to move to Mexico. A third group says that if you lose *your* job to Mexico, well, that's just a small price to pay for the economic good of the rest of us.

A growing economy doesn't help. Increasing tax revenues are used to get more people addicted to government. This ultimately sabotages the economic expansion. Then we need more government "help" to get us through the "hard" times. Unless a viable political strategy is found to deal with this problem, government will continue to grow until the "static load" collapses our economy, as it did the economy of the Soviet Union.

Jim Ober
Baton Rouge, LA

VIRGINIA POSTREL INVITES us to believe that libertarians are superior because they do not crave a static utopia, achieved by drastic action. But what is a libertarian if not one who craves the utopia of zero government, achieved by abolishing most government agencies?

Dan Kegel
Altadena, CA

VIRGINIA POSTREL STATES that Pat Buchanan "supports cultural stasis." How do you differentiate between "stasis" (mindlessly clinging to the status quo) and *selecting* a given status-quo approach to a particular situation or problem because it seems to be the best available option?

John R. Smith
Tallahassee, FL

I AM A VETERAN of Pat Buchanan's presidential campaign who registered as a Libertarian last May. While the editors of REASON like to have fun with Mr. Buchanan, a few words need to be said on his behalf.

Pat Buchanan was an outspoken opponent of many programs signed into law by President Bush. As a candidate, his proposals included abolishing racial hiring quotas, eliminating the capital-gains tax for people with incomes under $50,000, and allowing parents to use tuition vouchers at religious schools.

In foreign affairs, he sought to end foreign aid, to call home many of our overseas troops, and to just say no to the New World Order. While his protectionist leanings were misguided, he favored repealing many regulations that have crippled American industry.

Moreover, Pat Buchanan does not exaggerate when he speaks of a "religious war" in America. Many of today's liberals are busy eradicating Christianity from every aspect of American life. We may not be able to silence the Hollywood trendoids, but we can press for greater emphasis on the Free Exercise Clause of the First Amendment.

Douglas F. Newman
Tempe, AZ

Ms. Postrel replies: Mr. Kegel's letter contains several misunderstandings. First, I believe that a dynamic society requires a relatively hands-off government if social and economic experiments are to proceed and to succeed or fail on their merits. But I do not equate the dynamic vision with libertarianism. Some people who share a vision of social and economic life as a continuing process of discovery support a substantially larger

role for the state than I do.

And, as Mr. Kegel suggests, some libertarians envision a utopia in which the state has vanished and all experimentation with different forms of government has ended. Whether this is a realistic scenario—or whether experimentation with government forms is also an inevitable product of free debate—is an open question. But such a "libertarian utopia" would be anything but static, since social, technological, and economic innovation would continue apace.

Finally, Mr. Kegel confuses ends (a particular utopian order for society) with means (limits on state action that preserve discovery processes).

Mr. Smith's question goes to the most subtle difficulties with the dynamism-stasis model. The simplest answer is that clinging to the status quo, either mindlessly or mindfully, may make perfect sense on an individual basis, where the individual involved can evaluate available options. It is another thing, however, to impose one's preferred status quo on the rest of society by, to take a Buchanan position, significantly raising barriers to international trade.

Over time, of course, individual choices and experiments will almost certainly alter the overall complexion of society, leaving those who prefer the status quo ante unhappy. A dynamic society, by its very nature, changes. But a free society offers the possibility for those who dislike change to carve out private spheres in which they can preserve some of the old ways; the Amish are an example, but so are a lot of currently illegal institutions, such as segregated schools or all-Christian workplaces. Much as I may dislike such institutions, freedom of association is a small price to pay for preserving a free and dynamic society.

Contrary to Mr. Newman's assertion, REASON has never taken Pat Buchanan lightly. And we understand that selecting candidates to support always requires compromise. But the platform Mr. Newman recounts misses "the vision thing." And it is Buchanan's vision, his "conservatism of the heart," that had him by the end of his campaign not only endorsing drastic protectionism but lashing out at

"An important contribution to the movement for individual rights, including women's rights."

—Nadine Strossen, president, ACLU

Rejecting critics who would have feminists embrace collectivist or coercive approaches to social issues, Joan Kennedy Taylor calls on feminists to celebrate and re-emphasize their commitment to individualism and equal rights. She offers a challenging modern perspective, rooted in feminist tradition, on the issues of the '90s, from sexual harassment to pornography to comparable worth.

Reclaiming the Mainstream: Individualist Feminism Rediscovered

by Joan Kennedy Taylor

A Cato Institute Book published by Prometheus Books 271 pp./$24.95

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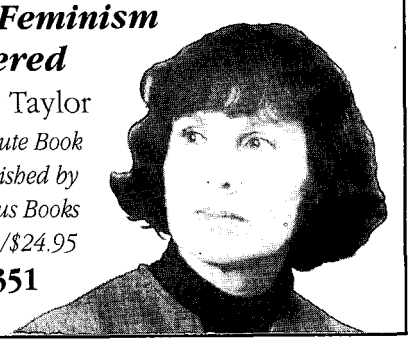

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former allies who get their ideas "from dead Austrian economists."

Buchanan frequently says soldiers—including, presumably, culture warriors—fight for the "pictures in their heads." From his writings, we can conclude that he holds two pictures dear: his Catholic childhood and the antebellum South. These two pictures came crashing into each other in a remarkable postconvention column. In it, he argued that America has lost its sense of absolute values. Then he turned around and criticized those who see the Civil War as "merely" about slavery. He proceeded to propound a romantic blood-and-soil view of patriotism in which Confederate soldiers became the truest Americans.

Now, my great-great-grandfather was a Confederate soldier. But if slavery isn't an absolute evil, I don't know what is. And if the pictures you fight for allow that evil, you are on one side and I am on the other—regardless of what you think of the capital-gains tax.

Reason and Recovery

In regard to Cathy Young's review of Wendy Kaminer's *I'm Dysfunctional, You're Dysfunctional* ("Recovery Boom," Nov.), I can see why subscribers to a magazine called REASON could be nervous about a movement that espouses "being less rational." But your readers can relax. Not only is the self-help movement not a threat to the quest for liberty and limited government, it is a potential ally.

They may say, "think less," but what they mean is, "feel more." In other words, move beyond the limits of accustomed thinking, often by tapping intuition. This is no threat to the public order.

As to "surrendering to a higher power" or its variant, "following the voice within," in its American context this usually leads to questioning of authority. Fans of limited government have nothing to fear from it, and perhaps much to gain.

Kaminer asserts that introspection contributes to the "victimization explosion." The exact opposite is true. Indeed, the central core of "new age" thinking in particular is taking personal responsibility for our lives. While a few may be stuck in blame, millions are moved to make positive change in their own lives and in the world around them.

Self-help's jargon does indeed provide an easy target. But don't be swayed by appearances into missing a potential alliance. I urge lovers of reason to view the personal responsibility movement not as a threat but as an opportunity. Robert Bly's dictum to "follow your bliss" is in alignment with Charles Murray's "pursuit of happiness." So reach out a hand to your self-helped brethren and use their own jargon to show them the linkage between personal responsibility and limited government.

Teri Murphy
Arlington, VA

I SMILED AT CATHY YOUNG'S reference to the Cambodian women's group, remembering the old-time A.A. meetings. They were full of belly laughs and wry good humor and that same lightness of spirit. A new drunk got his first lesson just walking in the door: "Don't take yourself so seriously."

That new drunk is incapable of thought—he's operating under a mishmash of emotions: fear, worry, anger, envy, and self-pity. Lots and lots of self-pity, which is met with, "Oh, you poooor baaaby." No sympathy, just understanding.

Living *today* gets rid of fear of tomorrow and shame, remorse, and resentment over yesterday. Sooner or later you have to give up hope of a better yesterday. It's suggested he find some sort of a higher power to handle the rest of his unruly emotions—what kind of higher power doesn't matter, letting go of the emotions does. Usually one or two other members provide friendship and a reality check to help him with this process.

It's a delight to watch him over the next couple of years. He recovers his mind again. He learns really to listen to other people and to care deeply about some of them, mostly because he's not thinking about himself and his problems all day. He becomes honest through the process of letting go of those emotions. Since his higher power manages his fear, greed, and vanity, he's hard to brainwash.

This recovery of mind is not a perfect one, of course, and differs in degree among individuals. An alcoholic bastard sometimes just becomes a sober bastard, depending upon his willingness to let those emotions go and *think*.

That's old-time A.A., and it's obviously been tainted and turned around by the New Age. If you walk into a room full of "victims" with a guru spouting psychobabble, run like hell. It's not self-help—self-destruct is more like it.

Name and Address Withheld

I HAVE PERSONALLY BENEFITED from the very things that Cathy Young and Wendy Kaminer ridicule. Melody Beattie's writings have been and continue to be a source of hope and inspiration. John Bradshaw's work got me in touch with my shame and its origins.

In therapy I wrote letters (not sent) to my parents, expressing my anger toward them. I wrote a letter to my inner child (and he wrote back). I started meditating and praying. I got into a 12-step group, listened while others shared their experiences and feelings, and, when I was ready, shared mine.

Today I'm treating myself better than in the past, both physically and emotionally, and my overall health has improved. My emotional ups and downs have smoothed out. I have more patience, less anxiety. I have a better relationship with my parents.

I know many others who, following a similar path, have achieved similar results. Reading Young's book review, it occurred to me how easily any of us might have been discouraged from taking the first few faltering steps.

A. W.
Johnstown, PA

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What Works?

Most international comparisons conclude that American workers are the most productive in the world. An October study of service-industry productivity by the McKinsey Global Institute gives an eye-opening reason for U.S. dominance in labor productivity: deregulation.

The study compares 1990 productivity rates for the United States, Great Britain, France, Germany, and Japan. Out of five industries—airlines, retail banking, telecommunications, restaurants, and retail stores—the United States leads in every category except restaurants, where France barely finished first.

U.S. policy makers have micromanaged businesses much less than their European and Japanese counterparts. For instance, the other nations have set prices for domestic air fares and telephone calls, have limited the ability of businesses to lay off employees, and, especially in Japan, have protected "mom and pop" stores from competition by large retailers.

Because the U.S. government places fewer barriers between employers and employees and between buyers and sellers, the study says, American workers are more productive. "If entry into industries and markets is allowed," the study says, "then dynamic companies will have incentives to develop innovations that improve value to the customer by offering more service per dollar."

For instance, when the United States deregulated domestic air travel, new competitors forced established airlines to improve service and lower prices. Even though many of these upstart airlines have gone under, the study says, "competitive intensity is high among airlines in the U.S." By contrast, in Europe, where airlines are often owned by the government and routes are set by regulators, "the pressure to perform and increase productivity [is] relatively low."

Regulations that prevent employers from laying off workers also reduce productivity. Such policies, says the study, "may be a bad bargain because they give temporary shelter to existing jobs and incomes at the expense of future jobs and incomes."

The study's authors, who include MIT economist and Nobel laureate Robert Solow, suggest that worker training or apprentice programs could help those employees displaced when industries restructure. And they say policies that limit the flows of capital or labor don't help employers or employees.

"Europe and Japan," the study concludes, "have explicitly placed more value on social objectives and on maintaining social harmony" than on maximizing labor productivity. These policies "only postpone an inevitable process [of business reorganization] at the expense of the economic well-being of the current population."

—Rick Henderson

The Road to Success

Voters are now beginning to see which of Bill Clinton's campaign promises he will keep. And taxpayers are beginning to see which they will have to pay for. One of Clinton's key proposals was to rebuild the nation's infrastructure, but according to a Reason Foundation study, it will cost $45.7 billion annually through the year 2009 just to maintain the nation's highways and bridges in their 1989 condition. To make the improvements that the Federal Highway Administration says are necessary would require an annual expenditure of $74.9 billion. The Reason Foundation study suggests privatizing some of the nation's bridges and highways and charging tolls to pay for improvements. Will Clinton listen?

ANNUAL HIGHWAY & BRIDGE INVESTMENT REQUIREMENTS THROUGH 2009

(Billions of Dollars)

SYSTEM	COST TO MAINTAIN	COST TO IMPROVE
Rural Highways	15.1	19.3
Urban Highways	26.4	49.6
Bridges	4.2	6.0
Total	45.7	74.9

Source: Reason Foundation

BALANCE SHEET

Assets

No Chip Dip. For the first time since 1986, American computer-chip makers pass Japanese companies in total market share. U.S. firms have focused on making microprocessors and other "smart" chips. The Japanese instead followed MITI central planners and made memory chips. This cheap manufacturing is now moving to South Korea and Taiwan.

Fanny Fees. How to privately finance a stadium: Make the fans pay. Charlotte, North Carolina, wants a National Football League expansion franchise. It doesn't have a stadium. So, for a one-time fee of $500 to $5,000, a season-ticket holder can purchase the right to buy a specific seat forever. Franchise investors hope fans will ante up $150 million to build a 70,000-seat stadium.

Fruit Looped. Fresno farmer Dan Gerawan tries to sell undersized peaches below cost to markets in South-Central Los Angeles, Sorry, say federal peach enforcers: Marketing orders limit what sizes of fruit can legally be sold. To the rescue comes U.S. District Judge Oliver Wanger. He refuses to enforce fines against Gerawan, saying "fruit size should be up to the consumer."

Green Eyeshades. The California Coastal Commission approves construction of a 17.5-mile toll road through wetlands in economically stagnant Orange County. Viros scream. Commission Vice Chairwoman Lily Cervantes replies, "The environment includes people. When someone is unemployed...their environment is changed."

Liabilities

Another WINner? Gerald Ford held an economic summit in 1974. The result: the Whip Inflation Now fiasco. Bill Clinton plans his own summit in Little Rock. Since none of Clinton's economic advisers are real economists, this powwow may be worse than Ford's. At least Jerry came up with those neat buttons.

Revolution Reversed. The annual survey *British Social Attitudes* bodes ill for Thatcherism. Only 29 percent of the respondents agree that "the less government intervenes, the better it is for the economy." *The Economist* says the survey also finds "growing support...for state subsidy for industry." Eighty-four percent favor government jobs programs, 67 percent import controls, and 60 percent price controls.

Soggy Bottom. Before the election, George Bush promised to loosen federal wetlands rules. In mid-November, the lame duck ducks this regulatory swamp. Bush will make Bill Clinton define how wet a wetland must be. (See "The Swamp Thing," Apr. 1991.) One Bush official tells the *Los Angeles Times*, "Why bother?...Let [Clinton] have the headache."

Tax Blight. From 1981 to 1991, notes the Tax Foundation, state taxes rose by 6.6 percent—faster than per-capita income's 5.6-percent rise. Despite the 1991 antitax backlash, states have raised taxes $5.5 billion for fiscal year 1993. No wonder your wallet seems lighter.

—Rick Henderson

Harassing Laws

A male forklift driver grabs a co-worker's breasts and says, "Yep, they're real." She complains to their supervisor. An investigation of the man turns up other allegations of sexual harassment. The company fires the forklift operator.

The company has narrowly avoided a sexual-harassment lawsuit by the woman. But it has also just set itself up for a wrongful-termination lawsuit by the forklift driver. This case actually happened in a Wisconsin Chrysler plant. The man sued, won, and forced Chrysler to reinstate him.

During the 1980s, feminists fought for increased legal protection against sexual harassment, winning recognition of this problem as a violation of federal civil-rights laws and a U.S. Equal Employment Opportunity Commission ruling that employers must take "immediate and corrective action" when an employee complains of harassment by a co-worker.

At the same time, labor lawyers were fighting for and winning changes in state laws regarding employment to make it more difficult to fire employees. These two sets of policies are now coming into conflict.

Stephen Tallent, a Washington, D.C., labor lawyer, told *The Wall Street Journal* that when accused sexual harassers are fired, in "about one in five cases you'll get at least the threat of a wrongful-termination lawsuit."

In the Wisconsin case, the court ruled that a suspension was adequate punishment for the harassment. This follows from the doctrine that an employee should be fired only in the face of repeated violations of company policy. This policy means that companies must tolerate not only a certain amount of chronic lateness or absenteeism before firing someone but also repeated instances of sexual harassment.

In other states, courts have set a high standard of proof that employers must meet before firing someone for sexual harassment. The end result of both of these changes in state law is to make it more difficult to fire sexual harassers.

—Charles Oliver

Private Lessons

In 1985, the North Carolina General Assembly passed a law requiring all children in grades K-5 to study a foreign language. Many of the state's rural school districts couldn't easily afford to hire a certified teacher who specialized in foreign-language instruction. In the Raleigh area, the Wake County Public Schools figured a way around the problem: They hired Dialogos International, a private firm, to teach French, German, Spanish, Italian, Chinese, and Japanese.

Increasingly, school districts that can't afford to hire a full-time staff member to teach special education, foreign languages, or other specialized courses are contracting with education entrepreneurs. These private-practice educators inexpensively market education services both to schools and to industry.

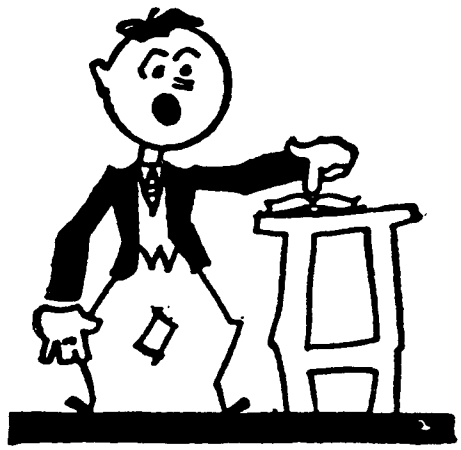
The Wake County school board estimates the annual cost of a contract with a Dialogos teacher is 30 percent to 50 percent less than the salary of a certified teacher. And because the language classes are considered "enrichment" courses outside the regular curriculum, the local teachers' union has not opposed the arrangement. State law requires a certified teacher to remain in the classroom at all times.

That restriction, common in other states, hasn't stifled the demand for private-practice educators. Berlitz, the language-instruction company, is contracting to teach languages in public schools. And in Milwaukee, McDonald Research contracts with the city's public schools to provide "mentors"—trained researchers—who teach science.

Teachers' unions have tolerated the use of noncertified private-practice teachers as supplements to, not replacements for, their own members. But private practice does let skilled professionals who want to teach enter the classroom without having to spend two years at an education school getting certified.

Chris Yelich, founder of the American Association of Educators in Private Practice, says private-practice teaching offers school districts flexibility and accountability. "If schools are not happy with the result, the contract is not renewed," she says. "These teachers live or die by the results they provide."

—Anna David



Expanded Minds

At the Drug Policy Foundation's annual conference in Washington last fall, several enthusiasts were passing the word about a miraculous cure for addiction. They said one exposure to ibogaine, a psychedelic drug derived from the root of an African plant, enables longtime addicts to take stock of themselves, break their habits, and reorient their lives.

Researchers in the United States may soon have the opportunity to test such claims in a rigorous way. Last summer, the Food and Drug Administration's Drug Abuse Advisory Committee urged the agency to permit psychedelic research with human subjects, which the government has long resisted. In November, the FDA approved a six-subject study of MDMA ("Ecstasy") by psychiatrist Charles Grob at the University of California, Irvine. Down the road, the agency may approve human studies of such previously taboo substances as ibogaine, LSD, and psilocybin.

The FDA is "sincerely saying that it's time for science to take precedence over ideology," says Rick Doblin, president of the Multidisciplinary Association for Psychedelic Studies.

"They're sincerely saying that it's time for science to take precedence over ideology," says Rick Doblin, president of the Multidisciplinary Association for Psychedelic Studies in Charlotte, North Carolina. Doblin says the FDA's action shows that "government is not monolithic" and some agencies can be swayed by scientific testimony about the safety and possible benefits of illegal drugs.

Says FDA consumer safety officer Corinne Moody, "I think the FDA is beginning to look at [psychedelic drug research] as a means of helping people."

Psychiatrists and psychotherapists have found that both LSD and MDMA—which were banned in 1966 and 1985, respectively—can promote self-insight and help patients deal with terminal illnesses. Research in the 1960s suggested that LSD could help alcoholics change their behavior. MDMA, which has been used in couple therapy, seems to encourage empathy, the expression of emotion, and recovery of repressed memories. Psilocybin also shows promise as a psychotherapeutic tool.

Doblin says psychedelic researchers plan to take things slowly, giving the FDA time to assess the first few studies. But he hopes the FDA will ultimately approve more research, perhaps including studies of marijuana's medical uses. "In the midst of a merciless drug war," he says, "some fragile flowers still bloom."

—Jacob Sullum

THOMAS LYTTLE

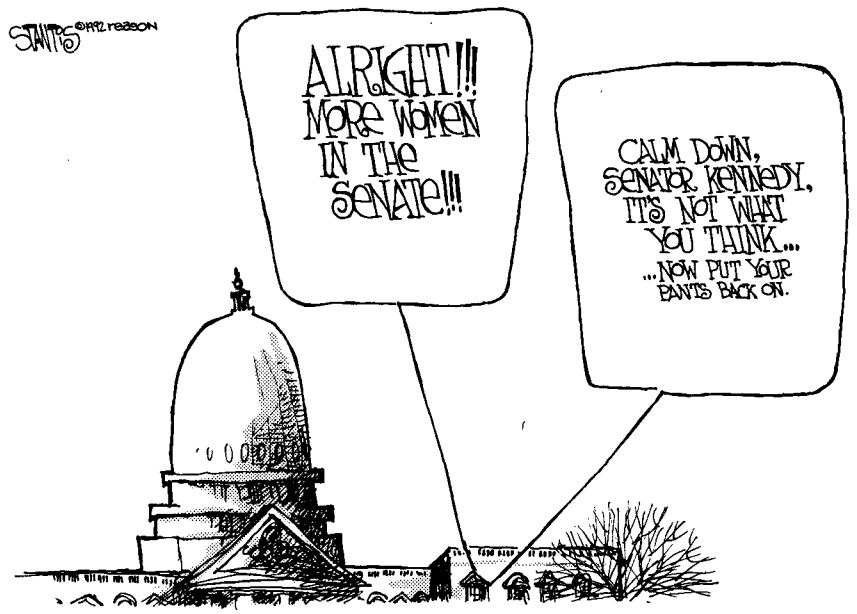
BRICKBATS

The University of California, Berkeley, has suspended junior Andrew Martinez for attending class nude. It seems that nudity is not illegal in Alameda County, where the university is located, so local officials couldn't stop Martinez. And nudity didn't violate university regulations, so what did Martinez do wrong? He ran afoul of the university's anti–sexual-harassment policy. Martinez may eventually be expelled from Berkeley.

James Bateman is another student who is having trouble with his school over his style of dress. The principal of Bateman's Colorado City, Arizona, school sent the 14-year-old home with instructions to change his clothes after the boy wore a T-shirt with a picture of Batman's foe The Penguin. The principal said that the shirt was a sign of devil worship.

Speaking of religion, John Hinton thought he might find some spiritual sustenance at Harvard Divinity School. But in one class students were asked to talk about what they thought was central to Christianity. After listening to the discussion for several minutes, Hinton thought that something important was being ignored, so he volunteered "Jesus." He was immediately derided by the others for being "Christocentric."

Three years ago, Francis Scott Key High School in Union Bridge, Maryland, had its first female student try out for the football team. The school's lawyers had advised it that it had to accept her under Title IX, which forbids sex discrimination in educational institutions that receive federal funding. Tawana Hammond, a 17-year-old who had never played organized ball, was tackled in her first scrimmage and allegedly suffered injuries that required the removal of her spleen and half her pancreas. Hammond has now sued the school for $1.5 million. She alleges that the school did not properly inform her of the risks of playing football.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ALRIGHT!!! MORE WOMEN IN THE SENATE!!!
CALM DOWN, SENATOR KENNEDY, IT'S NOT WHAT YOU THINK...
...NOW PUT YOUR PANTS BACK ON.

Traditional values may be in danger even in that most traditional of countries, England. On a crowded London train, no one said anything as a young couple engaged in oral sex. But when the two lighted post-amour cigarettes, angry passengers called authorities. The pair were fined for violating antismoking laws.

Spike Lee told magazines and newspapers that if they wanted to interview him regarding his film *Malcolm X* they would have to send a black journalist. He did this to highlight that many major magazines and newspapers didn't have black staff members. But Lee turned down a request for an interview by the only black writing film criticism for a national publication. David Ehrenstein interviewed Lee twice for the now-defunct Los Angeles *Herald-Examiner*, but now he can't get to the director. Ehrenstein suggests that maybe it's because he now works for *The Advocate*, a gay and lesbian journal.

Sometimes it doesn't pay to be ecologically correct. Berkeley, California, City Council member Nancy Skinner thought that she would do the right thing and avoid nasty chemicals when sprucing up her apartment. She bought a milk-based paint from the Berkeley Ecology Center. But after being applied, the paint turned sour, leaving her apartment with a smell that she can't get rid of. She had to abandon her home and all of her clothes.

Meanwhile, animal-rights protesters marched outside actress Cybill Shepherd's home in Los Angeles. The marchers, including *Roseanne* star Sara Gilbert, were protesting Shepherd's role as spokeswoman for L'Oreal cosmetics. They say the company tortures animals when testing its beauty products. As yet, no one has protested Shepherd's torture of movie audiences.

And finally, Los Angeles Laker center Vlade Divac had the best excuse I've heard from an athlete showing up for preseason training overweight: "We all get heavier as we get older because there's a lot more information in our heads."

—Charles Oliver

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FEMINISTS SEIZE LAB, ISSUE DEMANDS

BY TODD SEAVEY

(The following is a late-breaking phony news item.)

PASADENA, CA—Armed radical feminists have seized the Cal Tech bio-research facilities here, ostensibly in response to the claim by a team of biologists employed at the laboratory that humans exhibit differential gender behavior analogous to that of other primates. At least 15 people are believed held hostage.

"One of the hardest parts so far," says SWAT team Capt. Arnold Collins, "was getting them to issue their demands. At first they just sent out a note saying, 'If you really cared, you'd know why we're not happy.' " Capt. Collins says his team then made a tactical error common in hostage situations of this type. "Thinking they were just man-haters, we offered to send over a specially trained lesbian hostage negotiator, but the terrorists were insulted, saying what they really wanted was 'a sensitive male.' "

Capt. Collins decided to compromise. "We sent over Sgt. Palowski, who's gay. The terrorists said he'd be 'less threatening,' and quite frankly *everybody* involved felt a bit insulted one way or another by that comment." Sgt. Palowski eventually emerged with the following list of demands from the terrorists:

1. That the existence of gender-based personality differences be denied.

2. That the existence of such differences be acknowledged and attributed solely to patriarchal culture.

3. That the fact that men are different from women be acknowledged but not the fact that women are different from men.

4. That it be acknowledged that men and women have their differences, from which men could learn a great deal.

5. That it be acknowledged that observed gender-differences are real but in the proper context, e.g.: Women are "more in tune with the earth-mother spirit in all of us" rather than "less mechanically inclined."

6. That women be respected as individuals instead of just as members of a sex.

7. That individualism be recognized as an inherently patriarchal concept that suppresses the natural collectivism of womankind.

8. That the government recognize its duty to stay out of women's private lives and keep its hands off women's bodies.

9. That the government recognize its duty to improve women's private lives by making corporations pay through the nose for parental leave and by making them hire as if the number of skilled applicants from each gender were the same for every job (in order to keep up appearances and/or prepare people for the way things will be anyway upon the eradication of the patriarchy).

10. That men talk about their feelings and be willing to face the consequences.

Capt. Collins is pessimistic about a peaceful resolution to the conflict. "It may be hard to meet all these demands at the same time," he says. "I think we could pull off 2 and 9 at the same time, for instance, but not 1 and 4. It's touchy."

Dr. Marsha Nguyen, a scientist here lucky enough not to have been taken captive, says she is working on a model of the terrorists' demands that would make them seem noncontradictory. "It involves Boolean logic-cubes," explains Dr. Nguyen. "The demands look internally consistent from, say, a fifth-dimensional perspective."

Capt. Collins notes that one further difficulty in dealing with the terrorists is the fact that they reserve to themselves arbitrary and almost unlimited power to decide what they shall deem an injustice. "We convinced them to let in two of my men, Officers Smith and Agar, with food for the prisoners. The two of them were wired for sound, and when Agar made the mistake of saying he looked forward to getting off duty and attending a wet T-shirt contest, we were all certain he was a goner, but the terrorists let it pass.

"Just as the two officers were exiting the lab and we were all heaving sighs of relief out here, unfortunately, Officer Smith said he was looking forward to the new fall fashions, and they blew his kneecaps off, saying the wounds were merciful considering the thousands of years of oppression that inspired them. Unpredictable bunch."

One hopeful note in this tense situation is that the terrorists appear to be splitting into factions, adhering to different planks of the list of demands and fighting with each other over who is most loyal to the cause. Collins says this dissension in the ranks might make the terrorists more favorably inclined toward dialogue with outsiders. "Even if things don't work out well, though," says Collins, "I feel that this has been a valuable learning experience for all of us."

Todd Seavey is a writer in New York City.

TOM DALY

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WHITE HOUSE WAGER

OUR EXPERTS PUT THEIR MONEY WHERE THE PRESIDENT'S MOUTH IS.

THE END IS NEAR

By Benjamin Zycher

Three central truths will prove decisive for the prospective political and policy evolution of the Clinton administration. First, George Bush was one of the three or four worst presidents of this century; only a career *apparatchik* like Bush could have displayed for an entire term such exquisite policy ignorance and political ineptitude. Only an executive utterly devoid of judgment could have believed in the skills, foresight, and wisdom of an entourage comprising the likes of James Baker, Nicholas Brady, and Richard Darman. Only a fool could have believed in the viability of "bipartisanship" among a Republican president, the congressional Democrats, and *The Washington Post*. And only an utter incompetent could have transformed the Reagan bequest—the strongest economy in the world, the collapse of state socialism, the end of the Cold War, the most powerful and broad-based political coalition in more than a generation, and a Democratic Party in disarray—into the political disaster of November 3.

Second, perhaps paradoxically, Clinton inherits a U.S. economy that fundamentally is very strong, as a result of years of restructuring, efficiency improvement, and disinflation. The early signs of this strength already are apparent, as labor productivity growth has been very impressive for at least four quarters.

And third, whatever Clinton's intelligence, whatever his shrewdness, and whatever his desire to avoid the fate of our beloved Jimmy Carter, it is nonetheless a fact that political and policy principle have not been the pillars of his career, and were not the basis of his ascent to the presidency. Instead, he has understood instinctively how to scratch the many, varied, and conflicting itches of the electorate.

That Bush was so bad inevitably will lower the standard that Clinton politically will be required to attain; immunity from attack four years hence requires only that economic growth be a bit stronger, that the deficit and unemployment rate be a bit lower, and that inflation remain reasonably restrained. Enormous new mischief—taxes, regulation, spending, ad infinitum—is and will remain compatible with such modest goals. The underlying strength and competitiveness of the U.S. economy will yield much room for Clinton to indulge, if not his instincts, then the myriad Democratic Party interest groups soon to be engaged in a life-or-death tug-of-war over snout privileges at the federal trough. And the absence of central principle suggests that on many or most issues he will not know which arguments to believe among many sounding equally plausible, and he will not know which of his advisers to trust. In the end it is inevitable that short-term political considerations rather than long-term economic growth will emerge as the guiding principle for his decision making.

Let us consider some straws in the wind. Did Clinton manage to progress even five minutes into his victory speech on election night before attacking pharmaceutical producers and insurance companies? Here is a man who may mouth words to the effect that growth and wealth are created not by government but by the private sector, but his fundamental misunderstanding of market processes is beyond doubt. Clinton actually seems to believe that "profiteering" by drug companies and insurance firms is the pillar of the "crisis" in medical care; can price controls on drugs and medical insurance be far behind? And look for drug companies to be required to give medicine away as a condition for FDA approvals and other regulatory largess.

And if the private sector is the fundamental problem, only an expansion of governmental power can provide a solution in principle. In a world of scarce resources, for example, there can be no such thing as "universal access" to any and all medical care; some people and some services must be competed out under any system. Since Clinton fundamentally does not understand this, he will blame the private sector for the queuing and cost increases resulting inexorably from "universal access," even though government is and always has been the source of the problem. For Clinton, more and more government will be the solution, now and forevermore. Thus are monsters created.

Let us turn to the environmentalism racket. It is bad enough that Clinton has signed on to the scientific and political fraud inherent in the purportedly "unprecedented new threats of global climate change [and] ozone depletion." It is worse that he displays no understanding at all of the role that the absence of property rights plays in all of this. But Clinton actually seems to believe that any and all environmental protection not only is costless but yields greater wealth in nonenvironmental dimensions.

Now, that is absolute nonsense: Many increments of environmental improvement may well be worth what they cost, but only those attempting to deceive others or themselves can believe that they are costless. This effort by the political left to transform environmentalism into a free lunch is part of the larger effort by socialists everywhere to gain legitimacy under democratic institutions for increased governmental coercion and confiscatory power.

That is the fundamental meaning of Clinton's warning that his administration will "demand responsibility from individuals, families, communities, [and] corporations...to do more to preserve the quality of our environment." And lest we allow competition among governments to spoil the party, Clinton notes that "Our country's leaders must be willing to exert international leadership on issues threatening the health of the planet."

On such fundamental issues as the North American Free Trade Agreement, Clinton cannot afford to lose in Congress, so he will have to pay high prices to innumerable special interests. It is possible that he will pay mere lip service to some interest-group demands, but on others he will have no choice but to dance to the Democratic Party music.

Many bills vetoed or watered down by Bush will be passed again or strengthened, and Clinton will have to sign them; foremost among these are family leave and other innumerable mandated goodies imposed upon business. Bush's Clean Air Act and its implementing regulations—which will yield little or no improvement in air quality at an annual cost no less than $20 billion—will not be good enough by definition; a harsher bill will be passed and signed and more stringent regulations imposed. The same holds for such other blessings as the "Civil Rights" (quota) Act. Look for the return of race-norming on employment tests and for far more stringent language defining

discrimination in terms of hiring proportions, thus making employers guilty until proven innocent. Look for bigger and more frequent increases in the minimum wage. And can quotas for homosexuals be far behind?

Clinton will bring 3,000 leftists into the bureaucracy, because an attempt to keep them out would alienate every group that elected him.

Look for Clinton and Joe Biden immediately to expand the federal judiciary as a means of diluting 12 years of Reagan/Bush appointments, and prepare yourself for Larry Tribe and far worse on the Supreme Court; we will have judges who will write law *and* ignore the Constitution. Look for even more money for AIDS "research" and for manipulation of the data to create a heterosexual AIDS "crisis" out of whole cloth.

Look for strengthening of the Davis-Bacon Act, proscriptions on hiring replacements for strikers, and other union goodies. Look for a huge expansion of public-works pork under the guise of "infrastructure investment" and "jobs." The use of the tax system to redirect resources will be enlarged greatly; thus, we will return to a system of high marginal tax rates combined with innumerable loop-holes. Look for the kind of meddling in energy markets that even Carter would have rejected. But don't bet the mortgage money on tort reform.

And then, of course, there is the ineffable Hillary. When Clinton on election night announced from the steps of the Old State House in Little Rock that his wife would prove to be the nation's "best First Lady," it was not hospital wings or tree plantings or flower arrangements or oatmeal cookies that he had in mind. No, indeed: Hillary's ardor is aroused by the prospect of big, powerful, activist government, the kind that can't be too rich or too fat.

She is unlikely to receive a formal appointment, for the nepotism charge is something that Clinton will want to avoid; ironically, that will make her all the more dangerous, since her constant presence and unofficial status entail both a permanent voice and an absence of countervailing opposition. In a word, she will be unaccountable as she passes on judicial appointments, presses for a federal child-care bureaucracy, pushes the truly loony idea of women in combat, and encourages a large expansion of litigation activity by children and activist lawyers.

It is not going to be pretty. Clinton will bring 3,000 leftists into the bureaucracy, *even if he doesn't want them,* because an attempt to keep them out would alienate every constituency that elected him by keeping quiet during the campaign. And Clinton cannot and will not appoint the kind of cabinet officers who would keep them on short leashes.

Moreover, Clinton's "ethics" noises—officials of the Clinton administration, upon leaving office, will have even fewer options than is currently the case to capitalize on their contacts and government experience—will make matters worse, since few sensible people can afford to go to medical school or whatever after serving in the federal government. Most of those who will have a think tank or something similar to which to return will not be defenders of liberty and property; their goal, and the standard by which they will be measured, will be to out-Bush the Bushies on everything from regulation to spending to taxation.

Clinton already has announced an "economic summit," a block party at which deals will be cut among career politicians, fat cats, established interest groups, and defenders of the status quo. Newcomers and others pressing for more competition in government and markets will be excluded. This is "change"?

My opponents in this exchange are Dwight Lee and Richard McKenzie, and I am proud and fortunate indeed to be able to list them among my dear friends. The term "gentleman and scholar" properly applies to remarkably few; Dwight and Richard are prominent among them. They have performed God's work over many years, most recently as they have explained the role of market forces as constraints on government expansion and as they have debunked completely and courageously the many fantasies about the 1980s and about the Reagan legacy believed and propagandized by the political left.

However, they apparently have been traumatized by the fact that for the first time the newly elected president of the United States is younger than they. That the ascent of Bill Clinton to the presidency has induced them to descend into a fantasy world of their own represents an ironic mystery best left to the sofas and ink blots of the psychologists. Their view that market forces over a four-year period will constrain severely the ability of the Clinton administration to engage in mischief is one that can be believed only by their nanas, their dogs, and other such innocents.

Accordingly, Dwight and Richard and I have agreed to bet our respective honoraria for this exchange on the following proposition: By October 1, 1996, the relative size of government—federal, state, and local government spending as a proportion of GDP—will have gone up from that on October 1, 1992. I say that it will; they say that it won't.

We're putting our money where our mouths are; President Clinton also will put our money where his mouth is.

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U MARKETS WILL PREVAIL

By Richard McKenzie & Dwight Lee

Understandably, Bill Clinton's election to the presidency leaves much for the country to worry about. If he holds true to his economic platform and if he gets his way with what appears to be a compliant Congress, many of the market freedoms Americans hold dear will be in jeopardy. Fortunately, those are two very big *if*s. The first and most important auxiliary check on the powers of the new president to hold to his platform and to inaugurate his "new beginning" will be the very market forces he seeks to manipulate and suppress.

Those who see the policy changes of the 1980s mainly as a product of Ronald Reagan's election have much to fear. For them, the guard on the public treasury has indeed been changed.

On the other hand, those who see the changes of the '80s mainly as a response to global competitive forces among governments, rather than to Reagan or Thatcher per se, can take heart. Those same forces of global competition among governments for the world's capital base that were so evident in the '70s and '80s remain at work in the real world that Clinton must now face. Clinton will soon recognize that the main change since Reagan is that competition among governments is even more constraining, since capital has become ever more slippery and the number of government competitors has grown with the liberation of Eastern Europe and the break-up of the Soviet Union.

Granted, Bill Clinton has embraced every labor-market mandate that Congress has considered, and he threatens to raise taxes on the rich, which, if passed, would penalize competitiveness and success still further. And he pledges to redistribute wealth—especially health-care wealth—from the rich and middle class to the poor who cannot afford health insurance, plus all others who could purchase it but have chosen not to do so. In effect, he has fostered the delusion that workers can get something for nothing if only government tells employers they must foot the bill.

Moreover, Clinton proposes increased public spending and an array of "industrial policies" (although the expression is never used) that would mire Washington even more deeply in allocating (and misallocating) the country's resources. He doesn't seem to realize the extent to which Washington politics can twist even well-intentioned "infrastructure" expenditures into boondoggles for the home states of the politically powerful. Given that Robert Byrd will continue to lead the Democrats in the Senate, more infrastructure "investment" will likely mean, as some have suggested, paving over a larger portion of West Virginia.

That, in brief, is the economic agenda that less than a majority of the American public swallowed. The pessimists have reason to fret anew.

There are, however, reasonable grounds for being, if not optimistic, then not terribly pessimistic. The Clinton presidency probably cannot do as much damage as the pessimists are now forecasting. The results of the Clinton presidency might even be no worse than a continuation of the Bush presidency. In the end, the Clinton presidency might reinvigorate pro-market politicians and analysts. They can now regroup around more articulate, intelligent, and effective leaders such as Jack Kemp and Phil Gramm.

A continued Bush presidency would likely have fortified the mythology that the White House was still occupied by a dedicated heir-apparent to Reagan's political philosophy of expanded market incentives and constrained government, leaving market proponents open to the charge that the country's economic failures result from a failed philosophy. In Clinton, the country will get a president who appears (at the outset, at least) to be open and honest concerning his plans to expand the scope of government, which means that Americans will know to guard their wallets now that they have read his lips. Under Bush, they carelessly left their wallets unguarded, much to their chagrin. They might have been duped again by his 1992 no-new-taxes pledge.

Just as only Nixon could go to China, only a Democratic president can cut federal entitlements. And Clinton has long talked about welfare reform.

Admittedly, these are not strong reasons for optimism, but there are several other justifications that political pundits appear to have missed. First, Clinton may not be as liberal as many think. After all, he is from a place called Hope in a generally conservative Southern state. Clinton, with his democratic aura of ties to the downtrodden, might—just might—be able to open cutbacks in "entitlements" for thoughtful public discussion and reform in the same way that Richard Nixon, cloaked with his anticommunist past, was able to open up China's admission to the United Nations for public discussion.

Clinton has indeed talked a good and long line about the importance of personal responsibility and about making people look to government for a "second chance" rather than making government aid a "way of life," and few in the press and policy circles have raised concerns about his hardheartedness, a level of consideration rarely accorded Ronald Reagan and George Bush. Clinton has also endorsed the Bush version of the North American Free Trade Agreement and will likely have an easier time of getting it through Congress than Bush would have.

Second, Clinton will be checked by normal politics. Less than half of the

public voted for him, and many who did vote for him held their noses as they did so. They voted against George Bush, whose mean-spirited campaign, organized around largely irrelevant issues (Hillary, the draft, Moscow, and the chicken pluckers of Arkansas) was about as inept as the economic program that he was never able to articulate and hence defend effectively. With closer scrutiny, Clinton's mandate is far shakier than one might think from looking merely at the count of electoral votes. His plurality was smaller than Michael Dukakis's tally in 1988. Many of the non-Clinton majority voters can be expected to impede his more left-leaning political moves.

Third, Clinton and his advisers soon will learn that paying for his programs off the backs of the rich alone will be far more problematic than his pre-election numbers suggest. In the heat of an election campaign, candidates can direct their advisers to come up with numbers that sound good. Once elected, however, officials, including the president, cannot just conjure up revenue that will meet the estimates.

As this new president will learn, probably rather quickly, the rich will not play dead when confronted with the prospect of higher tax rates. They will—through their political allies and tax accountants—find ingenious ways of dulling the impact of the greater tax bite directed at them. President Clinton soon will realize the fact that the higher tax burden he contemplates must be shared by people way down the income ladder, an insight that is likely to dampen his interest in "soaking" anyone, certainly not those he has promised a free ride.

If he persists with his tax plans to soak the rich, by the end of Clinton's first term the federal tax burden will once again have moved down the income distribution, a reversal of the experience of the 1980s. In the '80s, the share of all federal taxes paid by the fifth of all households with the highest incomes went up at the same time their marginal and average tax rates went down.

Clinton was never as absolute in his anti-tax stand as was George Bush, but he did say, repeatedly, though not in so many words: "Read my lips, no new taxes on the middle class." He has said that he will scale back his expenditure plans before he will raise the taxes on his favored income classes. He will be shackled, in part, by his own words—and he may have to endure their haunting him in much the same way that George Bush had to endure Clinton's endlessly repeating the words that George Bush had so glibly let roll from his lips in the heady days of the 1988 convention.

Of course, inflation is a potential problem, but even inflation is no longer the government revenue engine that it once was. The power of "bracket creep" has been muted by indexing and the collapse of the tax schedule. Furthermore, bond markets can be expected to rapidly convert higher inflationary expectations into higher interest rates the federal government pays. One of the unheralded legacies of the buildup of federal debt during the 1980s is that federal interest payments loom large in the budget (accounting for about a fifth of it). Any increase in interest payments spawned by higher inflation rates can quickly soak up any additional real tax revenue garnered from higher rates of inflation. Besides, Alan Greenspan will head the Federal Reserve for almost all of Clinton's first term.

Fourth, if Clinton persists with his plans for mandated benefits, economists will learn that the perverse effects of labor-market mandates will not be as severe as many have envisioned. Employers will work diligently to soften the impact of such mandates. Workers will learn that it is they, not their employers, who must foot the bills, and that lesson is likely to muffle their enthusiasm for mandates.

Employers who face competitors not covered by the mandates, both domestic and foreign, will be forced to pass on the cost of mandates to their employees in the form of lower wages and other fringe benefits and greater work demands. Some employees will undoubtedly be replaced by robots unburdened by the cost of mandates, or by foreign workers who obtain the jobs driven off shore by costly mandates. These employees will see the mandates as bad deals, festooned with political goodies not worth their personal economic costs. The higher cost of employing workers who will likely take advantage of the mandates will reduce the market demand for such workers and the wages they can secure.

Finally, the Clinton presidency will be severely checked by global market forces that have been acknowledged, albeit reluctantly and belatedly, by even his most liberal advisers. For example, in the early '80s Robert Reich, one of Clinton's top economic advisers, wrote a book that was full of venturesome proposals to tax, regulate, protect, and subsidize American corporations. To Reich, making American firms more competitive by way of federal aid (and a variety of other industrial policies) was then crucial if our industries were to meet the challenges of "the next American frontier."

More recently, Reich has acknowledged (without really saying so) that many of his earlier proposals will not work. He has written, quite effectively, in *The Work of Nations* about the emergence of the global economy in which capital can move around the world with ease. As a consequence, he now believes the focus of federal policies should not be "industries," because it is too easy for companies to transfer the benefits of government largess abroad. He has corrected his belief and now recognizes that the true wealth of a country is its people, who should be the object of any future government largess.

However, he succumbs to the faulty reasoning that largess for the many who are not so wealthy should be financed by taxes on the few who are wealthy. What he and others in the Clinton camp do not seem to realize yet is that the human capital at the disposal of the wealthy is more fugitive on a global scale and less subject to government expropriation than the physical capital of corporations. Physical capital can only be shipped across the globe at the slow pace of boat travel. Human capital in the form of brainpower can travel to any point on the globe at close to the speed of light through the world's interconnected network of computers and satellites.

International money markets and integrated world stock and bond markets will teach on a daily basis our country's leaders lessons that they now seem to resist. National elections con-

ducted every four years will remain important. But votes of confidence and approval will be taken daily in the world markets, which because of the country's ties to them can be ignored only at great peril. Clinton has already sought to assure markets that he intends to make markets work better. If he doesn't hold to that promise, the next four years will prove interesting, a test of the relative power of domestic politics and global markets in shaping national policies.

An undeniable fact of the modern global economy is that capital has been transformed. Over recent decades, capital has become smaller and lighter, less physical, more transportable. Capital, in the form of brainpower and information (which is no more tangible than electronic impulses on computer disks), can be sent around the globe at the speed of light and for the cost of a telephone call. Capital has become as slippery as quicksilver, as difficult for governments to tax as it is for them to define and harness it, and this quicksilver capital is primed to move to more cost-effective venues at the slightest government provocation. To shape and constrain government policies, quicksilver capital need not move; it need only threaten to move.

Governments around the world have had to start competing for the world's capital base. And in spite of their ideological inclination to do otherwise, governments have done so over the last two decades by easing the burden of their taxes and regulation—by capping the growth in government expenditures relative to their economies, by lowering their marginal tax rates, by freeing their industries, and by privatizing their services.

Walter Wriston, former CEO at Citicorp, could not have chosen a more apt title for a book concerned with the policy consequences of modern technology than *The Twilight of Sovereignty.* Governments, including that of the United States, have lost a measure of their sovereignty. Norman Macrae, former editor of *The Economist*, explained prophetically several years ago, "In the future, we will vote more frequently with our feet. If politicians try to boss us, brainworkers will go away and telecommunicate from Tahiti. Countries that choose to have too high a level of government expenditure or too fussy regulations, will be residually inhabited mainly by dummies." That future is upon us, and Bill Clinton.

Bill Clinton's election is, in part, a reflection of the global forces at work. The Democrats were forced, kicking and screaming, to choose someone far more moderate than were the candidates of just a few years back. At this juncture, we can still hope that Clinton will respond more effectively to the market forces afoot in the world than George Bush would have.

Without a doubt, Clinton will have an impact on this country. Some of that impact will be positive. He is obviously not the total dummy and liberal ideologue whom some would like to imagine he is, and all can take some solace in that. The country needs a quick learner in the White House. The country probably needs to spend more on basic research, and most likely there are some worthy infrastructure projects that have been left unattended. More importantly, Clinton probably will pass a reduction in the capital-gains tax on long-term investments, something George Bush was unable to do.

Just as certainly, some of Clinton's impact is likely to be negative. The country doesn't need a parental-leave mandate, but it will probably get one anyway. We can expect, however, that more constraint and guidance will be applied to the policy process in the United States and elsewhere than ever before, not by the visible hands of politics but by the invisible hands of market forces that span the globe. Probably the worst Clinton can do is create expectations among his followers (and opponents) that cannot be realized. In his first post-election news conference, Clinton fully acknowledged, albeit indirectly, the power of world markets: He announced his intention to lower taxes on highly mobile capital in the form of equipment by way of a new investment tax credit, and he talked earnestly of the need to reduce in a measured way the federal budget deficit to calm the jitters evident in world markets.

President Clinton and his advisers will soon learn that paying for his programs off the backs of the rich alone will be very problematic.

Those on both sides of the political spectrum who believe that politics control policies should wager that government, on balance, will loom larger in the economy in 1996 than it did under George Bush in 1992. Those who believe that markets constrain politics should probably wager that government, on balance, will be no greater a presence in the economy in 1996 than it was under George Bush.

We prefer the latter wager. If we are proven wrong, there is every reason to believe that Bill Clinton will be the next one-term president. ■

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THE D PRINCIPLE

Can ethnic identity and individual freedom coexist?

By Joel Kotkin

The end of the Cold War may have brought the demise of history's single most pervasive threat to liberty, but it has also reopened a debate about our identity as human beings and economic animals that is far more ancient and enduring. The argument turns on the issue of whether the differences between peoples—particularly religious and ethnic differences—represent a positive force for the future development of the world.

For generations, thinkers across a broad ideological spectrum from Karl Marx to Auguste Comte and H. G. Wells have predicted that economic and scientific progress would soon liberate mankind from all religious and tribal constraints. In contemporary times, social scientists such as Daniel Bell have predicted that a "continuous decline" in ethnic and religious identity was all but inevitable. "The ethos of science," noted Bell, "is the emerging ethos of the post-industrial society."

With the breakup of the Soviet Union, some analysts see tribalism as the new threat to liberalism, others as the expression of basic human urges superior to any universal concept of humanity—in both cases positing a fundamental division between individual freedom and ethnic identity. Yet although some of the most notable outbreaks of the new tribalism have been highly destructive, it would be dangerous to dismiss as essentially evil and essentially anti-individualist the whole notion of ethnic or religious identity. The freedom to explore one's historic or racial past has, in fact, been one of the great blessings—despite the excesses—of the post-Soviet reality. From Moscow to Mongolia, among Jews, Muslims, Latvians, and a host of other repressed minorities, there is a new flowering of cultural diversity and individualism where once stood only the monotony of the ersatz Soviet identity.

In fact, ethnic loyalties are not only compatible with but essential to an international order based on individual liberty and the free flow of goods and ideas between nations. Throughout history, many of the most notable contributions in the spread of culture, technology, and commerce have come from precisely those transnational groups who have had the most intense sense of particularist identity and connection to their mythic past. These groups—or global tribes—have thrived by coalescing two principles that have been separated in classical-liberal thought: an intrinsic "tribal" sense of a unique identity and the

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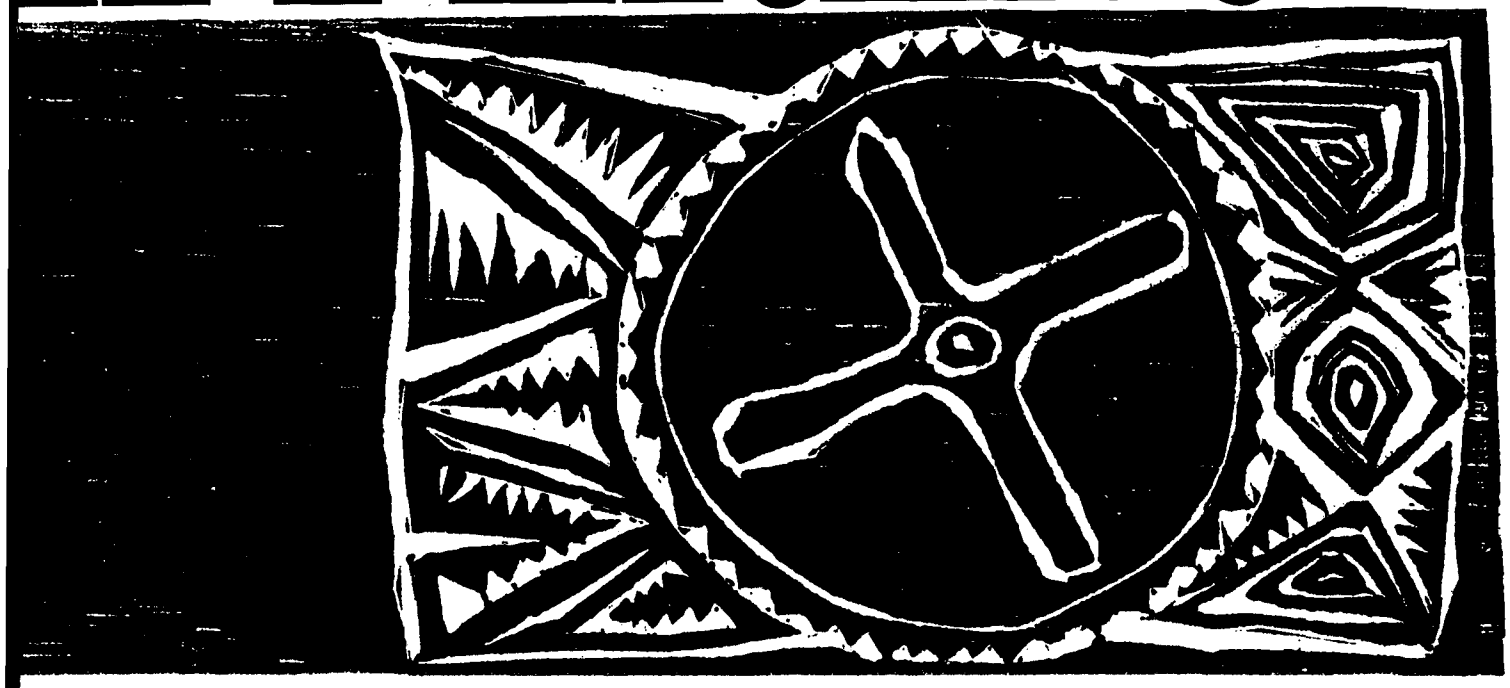


ability to adapt to a cosmopolitan global economy.

Far from being narrow provincials, these dispersed ethnic groups—often in the form of remarkable extended families—have played critical roles in the development of both market-based economics and free thought, exercising a disproportionate influence on the growth patterns of nations, cities, and regions. In this sense, global tribes should be cast as the historical protagonists on the world economic stage, carrying with them the incubus of individualism and creativity from one part of the world to another.

This is not to suggest the essential moral or racial superiority of any ethnic group. In fact, global tribes have developed largely through intimate contact with other civilizations. Global tribes such as the British or Japanese have been known as imitators par excellence. And the Jews, British, and Indians, far from being pure examples of a particular genetic stock, are among the most racially diverse of peoples.

Although their emergence can be traced to capitalism's earliest dawn, the story of global tribes is, if nothing else, a phenomenon of modern times. As we move into an ever-integrated world economy and the conventional barriers of nation-states and regions collapse under the weight of global economic forces, these ethnic networks seem ideally positioned to shape the economic destiny of mankind. They will not do so by surrendering ethnic identity but by employing their historically conditioned values and beliefs to cope successfully with change. These values—in particular, the willingness to be different, a reliance on communal self-help, and an openness to innovation and international opportunities—are, in fact, the qualities that foster success for individuals as well as communities in an increasingly competitive world.

Since antiquity, the Jews have epitomized the global tribe. Against the consolidating might of Hellenism and the Roman empire, amid the rise of Christianity and Islam, the Jews maintained what the philosopher Martin Buber called "the vocation of uniqueness," the willingness to be different from the surrounding society. Members of a small and isolated community, they developed a culture that stressed individual achievement and self-employment. As the old rabbinic maxim had it: "Skin a

KERI ROSEBRAUGH

carcass on the streets, rather than be dependent on other people."

Forbidden to own land in most of Europe, Jewish entrepreneurs in the Middle Ages instead relied on their own human capital—an international ethnic network and a command of languages as varied as Latin, Persian, Arabic, and early French and Spanish—to become traders throughout the known world. As capitalism began to develop in the later Middle Ages, the far-flung, itinerant Jewish merchants, coin dealers, and money lenders found unprecedented opportunities.

As the American Jewish historian Ellis Rivkin has noted: "The fate of the Jew and of Judaism came to hinge on the triumph of the capitalist revolution and on its success in shaping a form of society which reliably augmented wealth, profitably liquidated poverty, and by the demands of its very nature educated the individual for freedom." From Spain to Italy to Amsterdam to London, Jews moved wherever commerce and religious tolerance flourished.

Even today Jews everywhere show an exceedingly high proclivity to start, own, and operate their own enterprises. And they gravitate toward those fields—such as apparel, entertainment, and precious-metal dealing—where dependence on the state or on dominant institutions is weakest and the benefits of the individual entrepreneur's *sechel* (street smarts) the greatest.

"The primary reason people [got into the garment business] was every refugee wanted his own business, and this was a business you could go into for very little cash," recalls Bernie Brown, whose Russian immigrant family in 1938 founded Koret of California, still one of the top manufacturers of women's sportswear in Los Angeles. "You have contractors, shippers who can do the business. You don't need big machines or a load of money and a big office. As long as you have fabric and you have something worthwhile to sell, you can do it."

Like the Jews, Britain's Protestant dissenters created a unique culture that stressed both individual achievement and their differences from the mainstream. Generally outside the world of inherited wealth, the British Calvinists—as well as such later groups as Quakers and Methodists—developed attitudes closely attuned to entrepreneurial capitalism. These Nonconformists scorned ecclesiastical hierarchy, affirming "the priesthood of all believers." Rejecting the very idea, implicit in Catholicism or the Anglican Church, of society as "an organism with different grades," they were by nature contemptuous of the aristocratic notions of noblesse oblige and "knowing one's place." They were extraordinarily motivated, by both religion and temperament, to strike out on their own.

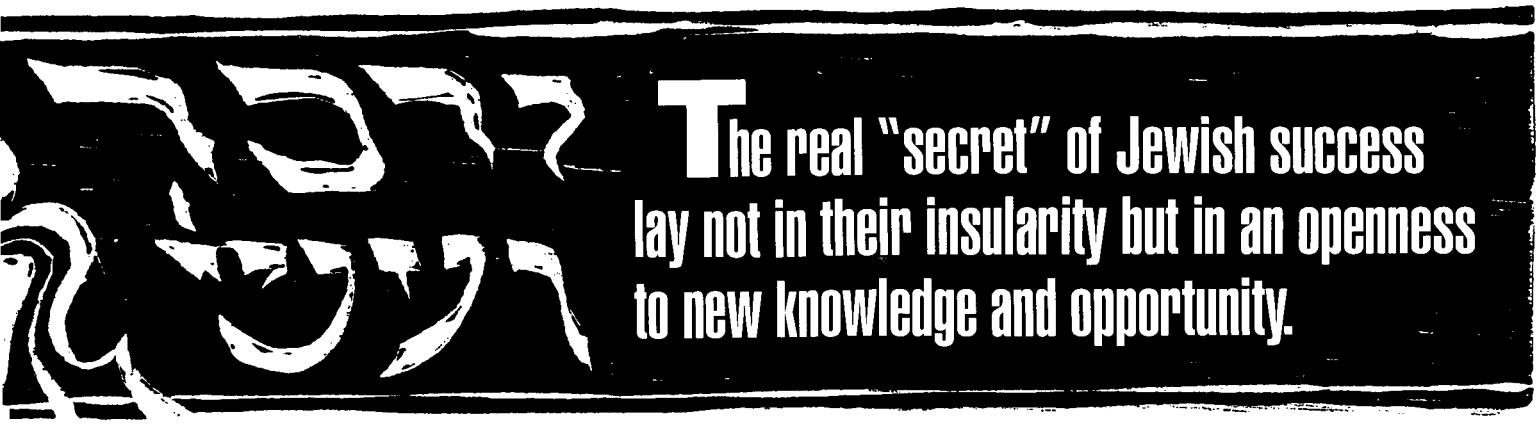
Looking for the secret of British success, Alexis de Tocqueville fixed firmly on the culture of individualism as the key element. He noted the Anglo-American's capacity of "relying on himself and [being] unaware of any obstacle except the limits of his powers, acting without constraint....I am in no hurry to inquire whether nature has scooped out ports for him, and given him coal and iron. The reason for his commercial prosperity is not there at all: it is in himself."

In recent decades other groups, most notably from Asia, have displayed these basic individualist tendencies on a global scale. Even the Japanese, often thought to epitomize the extremely hierarchical Asiatic stereotype, have built their country's economic success largely on the work of determined individuals. Father Maurice Bairy of Tokyo's Sophia University, a leading scholar of Japanese economic and social life, suggests that Japanese society operates like a wheel. At the center, conformist instincts are strong and things change only slowly. Near the edge of the wheel, however, lie the innovators, eccentrics, and entrepreneurs—the marginal forces who nevertheless force change.

This pattern of outsiders creating change goes far into the Japanese past, notes Hidetoshi Kato, one of Japan's leading social theorists. Toyotomi Hideyoshi, the man who united Japan in the 16th century, was the child of unknown, poor peasants. The architects of the modernizing Meiji period were largely lower-class samurai. And many of Japan's early entrepreneurs—the Mitsuis, Iwasakis, Sumitomos—came from less than aristocratic backgrounds. More recently this tendency shows up in individuals such as Soichiro Honda, Konosuke Matsushita, and Masaru Ibuka and Akio Morita of Sony, classic outsiders who have driven Japan's global economic expansion.

In the last decade, new and potentially even more potent global tribes—the Chinese and the Indians—have entered the scene, each producing large numbers of individualist achievers. Conditions of chronic insecurity, much like those facing the Jews in Europe, have fostered in both the overseas Chinese and Indians an almost unparalleled passion for self-employment. As the old Chinese saying has it: "Better to be the head of a chicken than the tail of an ox."

The power of this self-reliant attitude can be seen most notably in such Chinese capitalist havens as Hong Kong, where local entrepreneurs start businesses—most with fewer than 100 employees—at roughly twice the rate of Americans. Critically, the value system of both Indians and Chinese puts primary emphasis on achieving success for one's family rather than on any broader concept of company, society, or state. In one 1980 survey, Hong Kong Chinese ranked their families more important than society by a margin of better than five to one.



The real "secret" of Jewish success lay not in their insularity but in an openness to new knowledge and opportunity.

Even the most globally influential contemporary Chinese and Indian capitalists still follow this general pattern of enterprise. Most of their most powerful economic entities remain essentially in family hands and are motivated by family values. Explains George Harilela, the 70-year-old eldest brother and head of trading operations for his Hong Kong–based Indian family, "We have no real skill other than being traders and working hard....We work for our children. Without that, there's nothing. If not, why not drink? Happiness is one thing: working for them, for the future, for the family."

Driven by their passion for individual and family success, these global tribes have succeeded in virtually every country they have settled in, displaying extraordinarily low rates of criminality, poverty, and welfare dependency. But although they eschew state aid, they do not expect individuals to succeed by themselves. All of the successful global tribes, particularly in their ascendancy, have relied heavily on communal self-help and voluntary cooperation.

In most cases the tradition of self-help grew from necessity. Throughout most of their history Jews could count on little but grief from the governmental or ecclesiastical powers, leading them to emphasize the economic self-sufficiency of Jewish families. "He who increases the number of his slaves increases sin and iniquity in the world," wrote the 12th-century sage Maimonides, "whereas the man who employs poor Jews in his household increases merits and religious deeds." Maimonides also deemed giving someone the capital with which to start a business to be the greatest form of charity.

As they began their mass migrations in the early 20th century, newly arriving Jews, whether in Britain, France, Israel, or America, built their own, largely self-contained economies. Following Maimonides' advice, Jews tended to hire as well buy from their own community. In turn-of-the-century New York, Jews went to their own doctors, butchers, dry goods dealers, shoe stores, coalmen, and grocers; both their apartments and their places of employment were owned largely by fellow Jews. In 1914, there were 514 Jewish benevolent societies in the United States, providing everything from insurance and burial plots to summer camps. Many immigrants learned English not in the public schools but in special programs within the Jewish community.

In the process, Jews also created the essential nongovernmental infrastructure for the growth of industries. Within the diamond business, they set up a network of self-regulating institutions that effectively monitor trade from Antwerp to Tel Aviv and New York. In Hollywood, they developed a powerful interactive network of entertainment producers, talent agents, and scores of other specialized related professions. Much the same process took place in fields such as the garment industry.

To acute observers, the primary role of ethnic culture, tradition, and skills in the development of these industries seems obvious. Writes economist Thomas Sowell, "One academic writer, for example, said that the nineteenth century Jewish immigrants to the United States were fortunate to arrive just as the garment industry in New York began to develop. I could not help thinking that Hank Aaron was similarly fortunate—that he often came to bat when a home run was due to be hit."

No more mysterious was the role of communal self-help in the development of North America and other regions under the control of the British. Wherever they migrated, the "Calvinistic diaspora," as Max Weber described it, established informal networks between kinsmen and coreligionists. The 19th-century entrepreneur Samuel Slater, for instance, established a thriving network of textile mills all over New England by drawing on his Quaker family and friends, who owned, managed, and provided capital to mills. Through such associations, Anglo-Americans transferred technology, capital, and entrepreneurial skill from Great Britain to New England, the American Middle West, and later the Pacific Coast.

Throughout the 19th century, such informal networks helped create many of the key institutions—such as accounting firms and investment banks—that made the Anglo-Americans the preeminent economic powers in the competition among the various European ethnic groups. Simply bringing underdeveloped regions such as South America under European control was not enough. Without the attitudes and institutions of the industrial revolution, white men in regions such as Latin America did not produce a similar rush toward progress and development.

More recently, the primary Asian global tribes have employed deeply entrenched traditions of communal self-help to pace their rapid penetration of the world economy. Like the British, the Japanese have transformed themselves into a global tribe of enormous importance through the cultivation of a capitalist system uniquely dependent upon intra-ethnic cooperation.

Across a broad spectrum of commercial and crafts institutions, the Japanese as early as the 17th century created the basis of today's system of cooperative business networks. Japanese manufacturers, from traditional village garment makers to multinational auto companies, rely heavily on specialized subcontractors. And the international trading companies, or *sogo shosha*, have developed worldwide networks to distribute raw materials, manufactured goods, and, most important, information about new products and markets. As a result, a small flatware maker in a

The Japanese, particularly those under 35, are becoming more individualistic and more cosmopolitan.

Japanese village can, through an alliance with a trading company like Mitsui, sell its products from Java to Johannesburg. Such private innovations—not the ballyhooed role of the Japanese state—explain most of Japanese economic progress.

In fact, Japan's economy is highly dependent on its tightly connected smaller producers, who account for some 70 percent of industrial value added, compared to the 40 percent that small companies contribute to the U.S. economy. As Japan scholar David Friedman suggests in his landmark *The Misunderstood Miracle*, Japan's economy is hardly a "command" economy directed by a few genius planners or large companies; instead, its economic system resembles a web without a spider, characterized by strong horizontal and vertical linkages but lacking a central controlling element.

The success of such networks depends on a cultural ethic that stresses duty and obligation—to one's employer, one's customers, and one's employees—rather than formal, legal structures. Although based on such clearly Asian sources as Buddhism, Confucian familialism, and Shinto traditionalism, this Japanese ethic has produced in the business world an effective equivalent to Calvinist faith and commercial energies.

Looking back at these roots, historian William Hauser, who has studied the intricacies of the 17th-century Tokugawa economy, observes: "To describe the modern experience of Japan as 'miraculous'...is to overlook the realities of the Japanese case."

Communal self-help has proved equally important to the more recently emerging Asian global tribes. Hampered by government policies at home, the Indians and Chinese have developed their networks on a global scale, creating links between communities of more or less permanent immigrants. Like the Jews, Indians and Chinese found themselves usually discriminated against as outsiders by natives and dismissed as inferiors by colonial administrators, forcing them to rely heavily on each other for employment, sources of capital, and business intelligence.

Among the Chinese, these patterns can be seen most clearly in Southeast Asia and the West Coast of North America. Immigrants developed an elaborate system of huis, or informal credit associations, and local Chinese Chambers of Commerce to help newcomers adjust to the new conditions. As early as 1851 Chinese immigrants in San Francisco set up the Chinese Company, an organization whose purpose was to greet, protect, and find employment for newly arrived immigrants. Such associations still play an intermediary role in helping newcomers—familiarizing them with local business conditions, recommending immigration lawyers, finding housing, and so on. Within the estimated 20-million strong Indian diaspora, other means of resource pooling, largely within extended "joint family" corporations and informal kinship ties, provide the critical capital resources.

This emphasis on self-generated prosperity can best be seen in the Asians' emphasis on self-discipline and thrift. Both Indians and Chinese around the world boast savings rates that range upwards to 30 percent or 40 percent of gross income, better than twice that of the thrifty Japanese. When asked the reasons for their success, reports researcher Bernard Wong, old-time New York Chinese constantly repeated the saying "*Kan Kim Hay Ka*," or "frugality is the key to success," certainly an apt parallel to the dicta of such Anglo-American writers as Samuel Smiles or Benjamin Franklin.

In the past, even such successful models of ethnic identity have been widely seen as fundamentally inimical to the creation of modern, cosmopolitan societies. Yet rather than serving as a retarding force, dispersed ethnic groups—from the Jews of antiquity to the Asian tribes of today—have flourished in and helped to develop tolerant, advanced commercial civilizations.

Throughout their history, the Jews have been widely regarded as narrow-minded and inner-directed, yet their historical circumstances drove them to create one of the world's most cosmopolitan civilizations. The real "secret" of Jewish success lay not in their insularity but in an openness to new knowledge and opportunity. Historian Leon Poliakov notes that Jews, faced with frequent threats to their trades by the majority populations, "took refuge in the dynamic security of acquiescence in change."

As a scattered people dependent on their skills at transactions, Jews became indispensable not only as traders but as transmitters and translators of knowledge in such ancient centers as Babylon, Alexandria, and Antioch. During the Middle Ages, they served as intermediaries between at least three major cultures—Christian, Arabic, and Indian. Indeed, according to at least one medieval account, it was a Jewish scholar sent by an Arabic ruler to India who brought back the Indian symbols thereafter widely known as "Arabic" numerals.

With the opening of the new world and the coming of the Enlightenment, this cosmopolitan and inquisitive spirit grew, influencing the development of such European trading communities as Venice, Amsterdam, Paris, and London. As the Jews moved, notes the great French historian Fernand Braudel, so they strengthened already nascent prosperous

economies; their arrival, he notes, was a sure sign business was on the rise and their departure equally an indication of diminished prospects. Indeed, the extent to which the Jewish economy has operated on a transnational basis has long been cause for oppression by nationalists and statists, whether from the right or the left.

Even today Jewish success is most pronounced in those fields—apparel, entertainment, investment banking, diamonds—where an international mindset remains critical. Like their ancient predecessors, many of today's most successful Jewish business people still travel the world. "There are no borders anymore," explains Charles Dayan, the Syrian-born Jew who owns Bonjour, a New York City–based garment company. "China, El Paso, or Nashville—the only difference is that sometimes you have to carry a passport."

Similarly, much British success grew from adapting to changing conditions and cultivating cosmopolitan attitudes. In their global expansion, the British borrowed shamelessly the best techniques from France, Germany, or Asia for everything from building ships to constructing waterworks to clearing land. As Daniel Defoe remarked, perhaps a bit unfairly, the British improved everything and invented nothing.

Driven by their sense of openness, the British tribe ultimately developed most of what became the basis of modern industrial, scientific, and technological processes. Between 1750 and 1950, Britons and Americans accounted for nearly three out of every five major inventions, discoveries, and innovations in the world. And they made Anglo-American cities such as New York and London the supreme arbiters of international finance, commerce, and business services.

In this sense, then, the Anglo-Americans have become the prime creators of the cosmopolitan world culture that so often chagrins nationalists, statists, and advocates of "trade blocs." As a top Bank of England official said over tea and cookies at his Threadneedle Street office: "We have a willingness, a desire, to operate on a global basis. Narrow national concerns, European concerns, are not nearly so important. We are interdependent with the rest of the world; they are our customers. Of course, we have to operate on a European level, but what makes London special is the overseas linkages. It is our heart and soul."

As we enter the last years of the 20th century, a similar cosmopolitan mentality is also emerging among the Asian tribes. Even the Japanese, whom sociologist Harold Isaacs has called "the truest nation on earth," have, as they have expanded their global presence, developed cosmopolitan and individualist tendencies that may play an important role in the gradual breakdown of state power globally.

Many of the so-called revisionist intellectuals—such as Karel van Wolferen and Clyde Prestowitz—reject the very notion that the Japanese may be evolving in a cosmopolitan direction. To the revisionists, Japan, as the CIA-sponsored *Japan 2000* report put it, "is virtually impervious to change, and probably will remain so." Yet the reality remains that the Japanese, particularly those under 35, are indeed changing from the caricature of ultra-nationalistic automatons frequently proffered by the revisionists.

Critical in this change has been the younger generation's exposure to the world outside Japan—both through the media and directly through their tribe's global expansion. Having seen how others live and think, many now question the old ideas of loyalty to company and country above all. Asked in a survey conducted by Dentsu, Japan's leading advertising agency, to identify their purpose for living, fewer Tokyoites under 30 named work than did their counterparts in either New York or Los Angeles. Almost none mentioned service to company or society. And young Japanese named "self-improvement"—the supposed be-all of Southern California's "me"-oriented society—as their top priority twice as frequently as young Americans.

"The individualism is a product of the changes in the society," notes marketing expert Yohko Abe, who has done major research on youth attitudes. "They are less in rebellion against society as they are representative of a change in the stages of our development. It's less dramatic, but maybe more lasting a change because it deals with the basic values."

Over time these changes could create a new kind of Japanese presence in the world, one that stresses the more individualistic and creative side of their culture. The current career favorites among younger Japanese—design, entertainment, advertising, fashion—do not carry the competitive message implied in the old choices of electrical or mechanical engineering; rather than expand their national empire, the younger Japanese may well be set to humanize and enjoy it.

In the next century a likely even greater cosmopolitan impact—with enormous implications for the spread of individual liberty—will come from the Indian and Chinese global tribes. Already the overseas Chinese are dominating the rapid economic development of their ancestral homeland, creating in the process a new kind of postnational ethnic "Chinese-based" economy whose real centers lie in the ultra-capitalistic bastions of Hong Kong and Taipei.

"This is something new, a pioneering effort," observes Taipei attorney Paul Hsu, a leading deal maker among the overseas Chinese. "The old government ideology of nation-states will be outmoded....The government won't lead this effort. Until the late 1970s the government took the lead, but now the private sector is leading and creating this new thing, this Chinese-based economy."

Critically, this new transnational Chinese economy is already transforming the mainland's society, creating a new burst of individualist economic activity. Virtually illegal at the beginning of the 1980s, Taiwan's trade with the mainland has grown to as much as 10 percent of all Taiwan's "foreign" trade and now accounts for nearly one-third of its total worldwide trade surplus. In the process, the role of the state—both in Taipei and Beijing—is falling before the logic of markets and the pull of ethnic ties, particularly in the southern coastal province of Guangdong.

"I don't worry about [Beijing]," explains S. C. Ho, president of Yuen Foong Yu Paper Manufacturing, one of Taiwan's leading conglomerates. "The people in Guangdong just say, 'Beijing issues the regulations, but we interpret them.' "

This slow process of economic integration with their capitalist cousins may do more damage to the Communists than the democracy movement itself. China's economic emergence in the 1980s also saw the precipitous decline of its socialist structures, as the state-owned share of industry nationwide dropped from over four-fifths of industrial production to barely half. In 1990 non–state-owned factories accounted for 70 percent of all industrial growth; the output from factories involving foreign, mostly Chinese investors grew at nearly 20 times the rate for government-owned plants.

The increasing personal contact between mainlanders and their diaspora brethren could prove equally corrosive to the Communist order. With more than 300,000 Taiwanese alone visiting the mainland every year, mainlanders have become more aware of the enormous strides taken by Chinese in places like Taiwan and North America, whose governments generations of mainlanders have been brought up to revile.

"It's a long process but we're making the channels to mainland China here," notes Steve Lu, a Taiwanese engineer who is part of a California-based group using business and technical ties to spread anti-Communist information. "When the time comes [to overthrow the regime], we'll have the direct contact. And direct contact is the Achilles heel of the Communists."

Much the same kind of transformation is taking place, under quite different circumstances, on the Indian subcontinent. Traditionally, Indians abroad have kept their *man* (heart) in India even as they placed their *dhan* (wealth) in Britain and their *tan* (body) in a third country, often in Asia or Africa. But overseas Indians, encouraged by recent liberalizations in their homeland, have begun to look for ways to break down the traditionally inward-looking socialist regime.

As with the overseas Chinese, the Indian diaspora looks to apply in its homeland the habits of self-help and individualism fostered abroad. Particularly suited to this task are those tens of thousands of Indian technologists who have migrated to areas such as Silicon Valley over the past four decades. Several hundred have become millionaires, playing prominent roles in the founding of such firms as Sun Microsystems.

But unleashing this intellectual power is possible only if the country removes its entrenched system of regulation, suggests Kiran Mazumdar, founder of Biocon, India's largest biotechnology company. Mazumdar, who was trained in Australia, doubts whether more Indians abroad will invest as long as they have to deal with such obstacles as 100-percent duties on high-tech equipment or seemingly interminable waits for export licenses. "Things always seem to be stuck in Delhi," she complains, adding with obvious disgust, "Maybe I haven't found the right people to pay off."

Yet over time Mazumdar sees India, particularly with the fall of its old Soviet ally, forced to adopt the attitudes of the global diaspora. The critical players in this process, she believes, will not be the traditional heroes of Indian lore—the religious saint, the military hero, or the charismatic political leader—but business and technical people returning from abroad.

One such returnee is Anupam Saranwala, who came home to India in 1991 after a decade working as an engineer in California. He now manages a new personal computer–board factory for Silicon Valley Technologies, a start-up firm founded by Anil and Sucheta Kapuria, a San Jose–based couple. The Kapurias, in turn, are bankrolled by the Harilelas and other leading Indian trading families.

Saranwala envisions enormous opportunities in an India invigorated by an individualist and cosmopolitan spirit. "We can transfer the results-oriented culture of California to the time-oriented culture of India," he says as he walks through Bhangel, the dusty Uttar Pradesh village near the new factory. "India has the people and the talent. What they need is the opportunity to perform. We know the Indians in America and elsewhere have done it. We know that model works. Then let India take off, inevitably, in its own direction."

The massive problems facing India, with its huge impoverished population and its legacy of monumental misrule and corruption, make it easy to dismiss the likes of Saranwala as hopeless dreamers, pushing against centuries of social and cultural inertia. Yet the history of global tribes reveals the enormous possibilities for change unleashed by the spread of individualist and cosmopolitan ideas even to the most destitute of settings.

A relative handful of people animated by a common heritage can change the course of history through contact with the global economy and the subsequent acquisition of new technologies, skills, and attitudes. As the spread of technology, satellite dishes, telephones, and jet aircraft further accelerates this process, telescoping the distance from Silicon Valley to Bhangel in a manner unprecedented in earlier dispersions, the growth of global tribes could help lay the foundations for the development of a workable global cosmopolis.

Joel Kotkin is a senior fellow at the Center for New West and an international fellow at the Pepperdine University School of Business and Management. He is the author of Tribes: How Race, Religion, and Identity Determine Success in the New Global Economy *(Random House), from which this article was adapted.*

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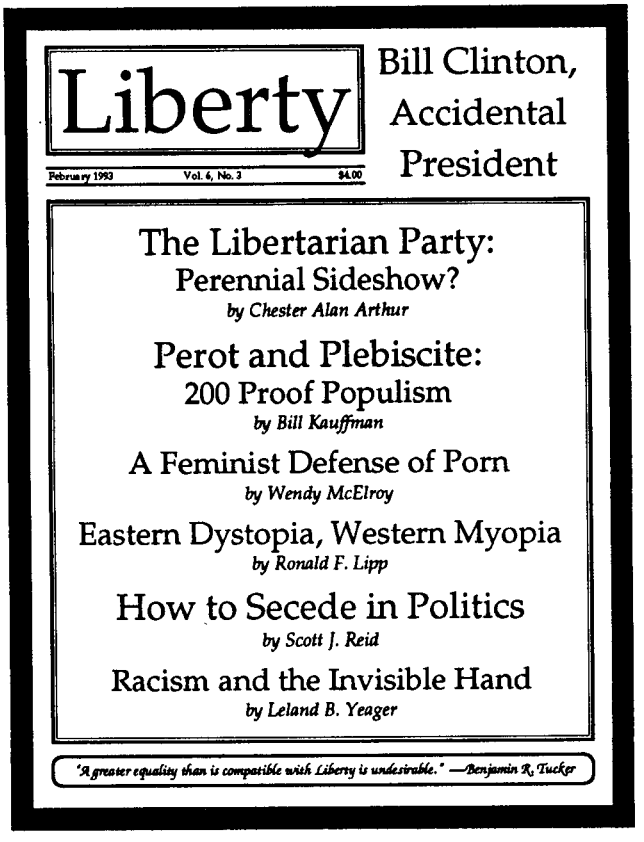
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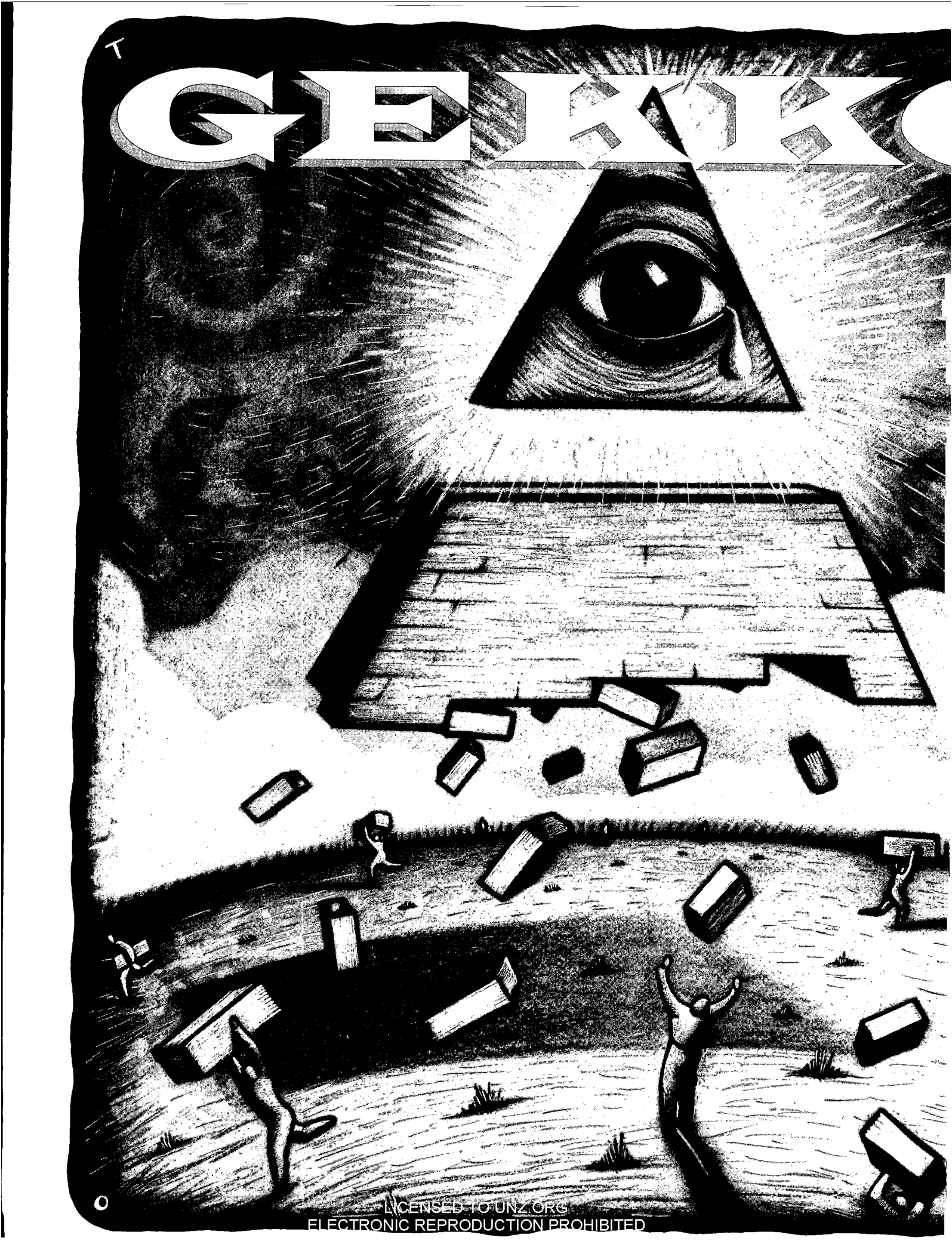

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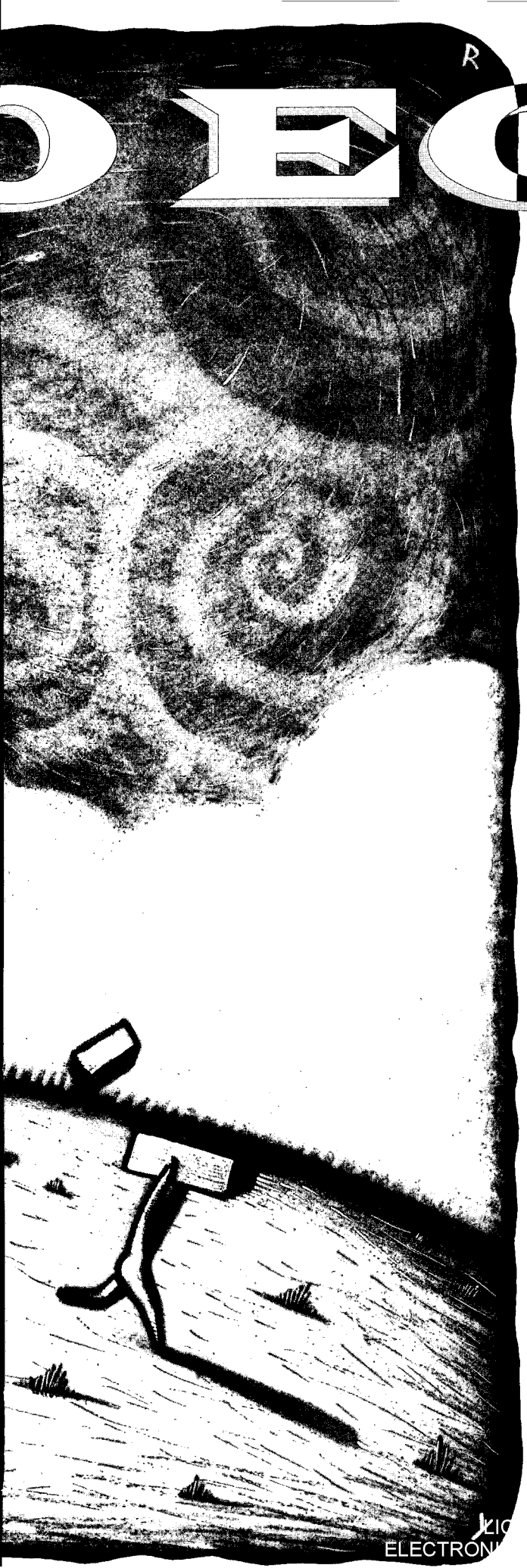

A closer look at the "Decade of Greed"

By David Kelley & Jeff Scott

One of the most memorable scenes in Oliver Stone's 1986 movie *Wall Street* takes place at a shareholders' meeting of Teldar Paper Corp. Gordon Gekko, the oily financier, is defending his bid to take over the company. "The point is, ladies and gentlemen, that greed, for lack of a better word, is good. Greed is right. Greed works.... And greed, you mark my words, will not only save Teldar Paper, but that other malfunctioning corporation called the USA."

Long before they ended, the 1980s were tagged as the decade of greed. That epithet has been repeated in dozens of books and movies, in hundreds of articles, editorials, and sound bites—repeated so often that it no longer seems controversial. In a single phrase, it represents that tumultuous decade as a melodrama peopled by greedy financiers obsessed with short-term profits, yuppies engaged in an escalating spiral of conspicuous consumption, and the long-suffering working and middle classes, who played by the rules but had to pay for the party. The plot runs as follows:

In the early '80s, the Reagan administration lowers income taxes on the wealthy, cuts social spending for the poor, and rescinds regulations on business. Money pours into financial markets, setting off a speculative frenzy reminiscent of the Roaring '20s. A wave of mergers, acquisitions, and leveraged buyouts changes the face of corporate America. Obscene sums of money are made by corporate raiders like T. Boone Pickens, Carl Icahn, and Ronald Perelman; by LBO firms like Kohlberg Kravis Roberts; and by rogue investment banking firms like Drexel Burnham Lambert.

Great American companies are dismantled, swallowed up, or saddled with crushing debt loads which they have to service by firing employees, slashing wages, and cutting back investments in research and capital improvements. The vast increase in debt is made possible by "junk bonds": high-risk, high-yield securities pioneered by Michael Milken at Drexel Burnham. Milken is the evil genius of the piece, a financial pusher who gets American business hooked on leverage.

In Act II of the drama, retribution comes to Wall Street. Ivan Boesky, the notorious arbitrageur, admits to trading takeover stocks on the basis of inside information, which he paid for with cash by the briefcase. With Boesky's help, federal prosecutors set off on a white-collar manhunt that eventually snares Michael Milken, who is sentenced to 10 years in prison.

By curtain's close at the end of the decade, most of the gains from a booming economy have been captured by the wealthiest 1 percent of the population. There has been a huge increase in the inequality of wealth and income. Meanwhile, the junk-bond market has collapsed and taken with it the savings and loan associations, imposing huge

costs on the taxpayers. As penance for the orgy of greed, the economy plunges into a long recession.

This melodrama is very nearly pure fiction.

There's no denying that crimes were committed—though not on the scale suggested by such fevered accounts as James Stewart's best-selling book *Den of Thieves*. Leaving aside the guilty pleas by Boesky, Milken, and others, most of the convictions the government obtained have been overturned on appeal. And Milken pleaded guilty only to six technical violations of the law; the government was never able to make a case against him on the more serious charges of insider trading, stock manipulation, or bribery. Outside the courtroom, it is true that there was greed on the Street. Greed has always existed and always will. Though no one has yet found a way to measure these things, it may be that the flame of avarice burned brighter in the '80s than at other times. There was easy money to be made for a while, and easy money always draws people of easy virtue. But in every fundamental respect, the story being sold under the title "Decade of Greed" is the exact opposite of the truth.

In every fundamental respect, the story being sold under the title "Decade of Greed" is the exact opposite of the truth.

In the '80s, capitalism won its long political conflict with socialism. Nations in the former Soviet bloc abandoned their commitment to command economies, as the rest of the world rushed to embrace private property, free markets, and limited government. Meanwhile, an unprecedented wave of innovation swept over the capitalist West.

Those who watched the collapse of the Berlin Wall may have taped it (on an '80s VCR) as it was broadcast live on CNN (the '80s news network). Or they could have called the airlines (on an '80s cordless phone) or faxed a travel agent (on an '80s facsimile machine) and reserved a flight to Germany (on an '80s computerized reservation system, at '80s prices for international flights). On the flight back, they could call their friends (from '80s airplane phones), leaving a message if necessary (on '80s voicemail). Then they could put their chunk of the wall next to their PCs and laser printers.

Accompanying these innovations in consumer products and services—and making them possible—was an equally profound wave of innovation in financial markets. The financial innovations were intangible, but they were just as real—and just as valuable—as the new consumer products.

Prior to the '80s, financial services were extremely segmented. Commercial banks made business loans, savings and loan institutions made mortgages, investment banks handled mergers and acquisitions, and so on. Like the meat in a crab, these niches were walled off from each other—not by the market but by law. Government regulations kept banks and S&Ls from owning stocks, imposed controls on interest rates, and subsidized banks by means of federal deposit insurance. Within their domains, financial firms specialized in serving a more or less fixed base of clients; a local bank, for example, would originate, service, and hold as assets the loans it made to local businesses. To protect these relations from disturbance through changes in prices and flows of credit, foreign competitors were excluded. Protection was the glue that held in balance the relationships among clients, financial firms, and government regulators.

During the last two decades, the postwar financial world came unglued as a result of broad economic and technological changes. Cheap computing power, vast improvements in communications, and the growth of foreign economies created a global financial market, symbolized by 24-hour trading in securities. Some $900 billion now changes hands every day in currency trading. The volume of security trading between Americans and foreigners has skyrocketed: In 1980, the dollar total was equivalent to 9 percent of GNP; by 1990, it was equivalent to 93 percent of GNP. Protectionism became impossible. So did the domestic regulations that limited the interest banks could offer depositors. Inflation in the late '70s made deregulation necessary if banks were to compete with the new money-market funds.

Other innovations in capital markets broke down the traditional segmentation among firms. Large creditworthy borrowers could go directly to the market to issue commercial paper; they no longer needed the banks as intermediaries. In the mortgage market, the rationale for savings-and-loan institutions was disappearing. Mortgage bankers and other sorts of finance companies could originate loans, credit agencies could guarantee them, and mutual funds could hold them by buying mortgage-backed securities, a product pioneered by Salomon Brothers in the early '80s. It turned out that these functions do not need to be bundled together in a single firm; unbundling them allowed more competition and lower mortgage costs for consumers. In addition, new techniques for balancing debt/equity ratios, selecting market portfolios, and pricing undervalued assets revolutionized corporate finance and securities trading.

These innovations made a great deal of money for those

who invented, developed, and took advantage of them, with the greatest profits typically going to those with the vision and courage to get in early. The profits were a fair return for the creation of value: The innovations lowered costs, improved efficiency, saved time.

The same is true for the two most controversial innovations of the '80s: leveraged buyouts and junk bonds. There is now an extensive body of academic research on both phenomena, and the conclusions are diametrically opposed to the popular impression.

In a typical LBO, a corporation would be taken private by top management working with a pool of investors led by a buyout firm. These investors would purchase all outstanding shares of the company, putting up 5 percent to 10 percent of the purchase price from their own money and borrowing the rest. After the buyout, management held a much higher share of the equity than before. With that incentive, along with "the discipline of debt," management would slash costs and sell off unprofitable pieces of the business in order to reduce the debt load and maximize the value of the equity. In a few years the company could be taken public again, usually at an enormous profit.

The source of these profits was the fact that many companies had developed a sizable paunch as a result of a breach between ownership and control—a breach that was largely the product of government regulations. Control over a company's management must come either from those who hold its equity or from those who lend it money. In the postwar period, equity was dispersed among large numbers of shareholders, whose only real instrument for control was the freedom to sell their stocks. Debt levels were low, and in any case commercial and investment banks were largely prevented by law from having seats on boards of directors and exerting the kind of control they had in the days of J. P. Morgan.

Because of the low debt levels, many companies had large cash flows available after meeting interest payments, especially in mature industries that did not require large expenditures on research and development. Because of weak controls, management had considerable discretion over the use of free cash flows. Corporations tended to develop large bureaucracies, filled with unnecessary vice presidents. Top executives enjoyed excessive perks; among many egregious examples was Unocal CEO Fred Hartley, who had a grand piano installed on his corporate jet. Finally, during the '60s and '70s, large corporations embarked on a wave of acquisitions, diversifying into fields unrelated to their core businesses and producing unwieldy conglomerates.

A measure of the fat that was padding the corporate frame is that buyouts occurred at an average premium of 50 percent above the market price of the stock, suggesting that unmonitored management was wasting up to a third of the value of corporate assets. Buyout firms such as Kohlberg Kravis Roberts earned enormous profits by recovering that value. To begin with, they restored the connection between ownership and control; as active investors, they monitored the performance of management. They realigned incentives by requiring that managers put a significant amount of their own money into the company and tying their compensation to the company's performance.

Buyouts freed up vast amounts of capital that had been locked inside mature industries and returned it to the market.

By taking apart the conglomerates that had been built up over the previous two decades—a strategy often denounced as the "bust-up" philosophy—LBOs tended to produce more-focused and better-run companies. In 1986, KKR invested $407 million of its own money in the purchase of Beatrice Cos., the Chicago conglomerate that owned Avis, Tropicana, Playtex, and numerous other consumer-product divisions. Over the next four years, the firm took in $2.2 billion from the sale of these units to other corporations or buyout firms that could run them more profitably.

Perhaps most importantly, buyouts freed up vast amounts of capital that had been locked inside mature industries and returned it to the market, where it could be invested in new and developing industries. Michael Jensen, a Harvard Business School professor and pioneer in the study of LBOs, writes that "the most careful academic research strongly suggests that takeovers—along with leveraged restructurings prompted by the threat of takeover—have generated large gains for shareholders and for the economy as a whole. My estimates indicate that over the 14-year period from 1976 to 1990, the $1.8 trillion of corporate control transactions—that is, mergers, tender offers, divestitures, and LBOs—created over $650 billion in value for selling-firm shareholders." As against this enormous gain, Jensen estimates that losses to bondholders and banks do not exceed $50 billion.

The same research has also refuted many other claims about buyouts. In early 1989, Lane Kirkland, head of the AFL-CIO, asserted that takeovers had eliminated 90,000 union jobs. No evidence has ever been found to support the claim; although

middle-management positions were eliminated when corporate hierarchies were flattened, the buyout movement as a whole does not appear to have produced any net loss of blue-collar jobs. Companies such as Kraft and National Can preserved jobs at plants that would otherwise have closed. After the $4.2-billion buyout of Safeway Stores, a number of its unprofitable supermarkets were closed or sold, and in some areas where the company was competing with nonunionized stores, it won wage concessions from its unions. When the leaner and more productive company went public again in 1990, however, it announced a $3.2-billion expansion program.

Buyouts did produce some failures, especially toward the end of the decade, when deals tended to be more speculative. An example is the empire that Robert Campeau assembled by buying department stores such as Bloomingdale's; Campeau filed for bankruptcy in early 1990 with $6 billion in debts. But even in this period, bankruptcy was not the norm. In the largest LBO ever, the 1989 takeover of RJR-Nabisco by KKR, existing shareholders received $12 billion as a premium over the previous market valuation of the stock. During the next two years, under new management installed by KKR, the company reduced its debt load, improved operating efficiency, and created another $5 billion in value for its post-buyout owners.

Most junk debt was used for internal investment and expansion by entrepreneurial firms in new and growing industries.

Many acquisitions in the '80s were financed in part with junk bonds. In the latter half of the decade, Kohlberg Kravis Roberts was the largest client of Drexel's High-Yield Bond Department. But the role of junk bonds was considerably less than the press, or the outraged CEOs of companies under siege, would lead one to expect. Glenn Yago, director of the Economic Research Bureau at the State University of New York, Stonybrook, has found that only 22 percent of the proceeds from high-yield issues during 1980-86 were used for acquisitions, and only 3 percent for hostile takeovers. Most junk debt was used for internal investment and expansion by entrepreneurial firms in new and growing industries: cable television, telephones, health care, home building, and many others.

Prior to the '70s, institutional investors such as insurance companies and pension funds would invest only in bonds with investment-grade ratings from Moody's or Standard and Poor's, a status restricted to about 800 corporations. Scholars in the 1940s had noticed, however, that the higher risk of default on non-investment-grade bonds was outweighed by the higher interest they paid; hence a portfolio of such bonds would outperform a portfolio of investment-grade bonds. As a student at the Wharton School, Michael Milken carried this analysis forward to the '70s and found that the gap had widened. When he went to work at Drexel, he began trading high-yield bonds with enormous success. The high-yield market in those years consisted of "fallen angels": bonds that had been issued as investment grade but had been downgraded. Milken helped create a liquid market for investors who wanted higher returns.

In 1977, he began underwriting new high-yield bonds, opening up the bond market to the 95 percent of firms that did not have investment-grade ratings. Over the next decade, Milken raised funds for more than 1,000 such companies, including MCI, Ted Turner's CNN, and scores of others that have since become industrial giants. More than with any of the other innovations, the value created by high-yield financing can be credited to a single man. Milken's success was the result of looking not only at the balance sheet but at the vision of the entrepreneurs, the intellectual and spiritual capital they had invested in the firm. "The value of a company and a business," Milken said, "is the knowledge and wisdom and vision of its employees." It was these companies that created the surge in employment during the long economic expansion of the '80s, while the Fortune 500 were cutting their work force to improve efficiency. Yago's research indicates that, from 1980 to 1986, firms using high-yield debt accounted for 82 percent of average annual job growth at public companies; they added jobs at six times the average rate in each industry.

Serious allegations have been made about Milken's practices as a trader, an underwriter, and—later in the '80s—a deal maker in junk-backed takeovers. For example, there is evidence (though not enough for the prosecutors to make a case) that he offered personal inducements to fund managers to buy his bonds for their fund portfolios. But it is absurd to claim, as James Stewart and others have, that such practices were the essence of Milken's success. They were a sideshow in what has become a $200-billion market.

Nor is Milken responsible for the collapse of the S&L industry. Only 161 out of 3,025 thrift institutions held high-yield bonds, with a total book value in 1988 of $13.2 billion; 69 percent of that total was held by 11 thrifts, and even in that small group, junk represented only 10 percent of their assets. It was only in a few specific cases, such as Thomas Spiegel's Columbia

Savings and Loan, that junk was a significant cause of insolvency. Problem real-estate loans were the true "junk" in the S&L portfolios. And the essential causes of the industry's collapse were government regulations and subsidies—especially federal deposit insurance—that encouraged S&Ls to make risky loans.

In short, whatever misdeeds were done, whatever speculative excesses were committed in financial markets, innovations in those markets created tremendous value, and the returns that innovators reaped were justly earned. The real question is: Why has all this escaped the notice of the media, which continue to present the '80s as a melodrama of greed? Harvard's Michael Jensen observes, "I know of no area in economics today where the divergence between popular belief and the evidence from scholarly research is so great." Why does the illusion have such a grip on popular belief?

One reason, surely, is the disruptive and unsettling character of innovation. Corporate CEOs were unnerved by the "sharks" circling their companies. Old-line investment bankers had to compete with the brash upstarts from Drexel. Regulators couldn't keep up with the new investment vehicles that sprawled across their categories. And all of them found a sympathetic ear in the press. Despite their self-image as an adversarial class, journalists depend on those in power for access and visibility; they enjoyed their seats in a boat that was being violently rocked.

In 1987, the year that Michael Milken earned $550 million, no eyebrows were raised when Sam Walton gained $4 billion from the increase in value of his stock.

But these sociological factors cannot be the full explanation. The establishment's desire to preserve its power could not be put forward publicly and explicitly as a reason for attacking the innovators. The cause of the vested interests is a cause that dare not speak its name; it needs a plausible rationalization. And the standards of plausibility are set by deep-seated cultural premises.

One such premise was stated by Gordon Gekko: "It's a zero-sum game. Somebody wins, somebody loses. Money itself isn't lost or made, it's simply transferred....I create nothing. I own." Unlike the production of tangible goods and services, it is often assumed, financial transactions do nothing but shuffle ownership from one set of hands to another, without creating anything. The clearest manifestation of this premise is the popular response to breathtaking incomes. People were scandalized by the multimillion-dollar earnings of LBO entrepreneurs like Henry Kravis and George Roberts of KKR. Yet for all that has been written about the "decade of greed," virtually no one has complained about the income of entertainers like Bill Cosby, who earned some $58 million last year. Nor are the accusations directed against entrepreneurs like Bill Gates of Microsoft or Sam Walton of Wal-Mart, who earned fortunes by creating new products and services. In 1987, the year that Michael Milken earned $550 million, no eyebrows were raised when Sam Walton gained $4 billion from the increase in the value of his stock.

This invidious distinction is invalid; as we have seen, innovations in the financial sector create value in the same way as innovations in the so-called real sector. In the one case, scientific knowledge about nature leads to inventions that exploit that knowledge, and the inventions are then developed and marketed by high-tech firms like Microsoft, which create benefits far in excess of the profits they retain. In the same way, theoretical insights about the economic and mathematical properties of financial structures lead to the invention of new financial technology that exploits those insights; the technology is then developed and marketed by firms like Drexel and KKR, which create much more value than they ever take back. As Milken said, "Walton used retailing technology to create value; Drexel used financial technology to create value...by enabling entrepreneurs to raise money far more efficiently than they could have done without us."

A second important cultural premise is a more general and elusive kind of antimaterialism—the attitude that material production is a low and degrading value by comparison with art, knowledge, love, or military glory. This pre-industrial attitude was the source of aristocratic disdain for the merchants and factory owners of 200 years ago. And of course it is a central theme of any deeply religious culture. In the highly secular societies of the West, this premise no longer has the power it once did. But it survives in a number of specific forms, including the tendency of journalists and literati to believe the worst of businessmen. In *Den of Thieves*, for example, Stewart refers casually to "corporate America's own willingness to dissemble," a sweeping generalization about an entire class of people on the basis of a few specific cases.

The antimaterialist outlook is embodied in the conventional concept of greed. For centuries, religious authorities taught that any concern with material wealth beyond the subsistence level was greedy, just as any sexual desire not connected with the needs of reproduction was lustful. In effect, economic ambition and sexual enjoyment—the two

most powerful this-worldly motives—were put on the list of mortal sins. Today most people would not consider it sinful to strive for material comforts beyond the level of a medieval monk. But a vestige of the old view survives in the notion that it is greedy to want too much. Indeed, some dictionaries define greed as an excessive desire for material possessions. Notice that we do not have comparable concepts for those who want too much knowledge, too much beauty, too much love. Why is wealth singled out for special concern, if not for a lingering bias against material success?

Considering how deep a rut the concept of greed has worn in public discourse lately, it is worth pausing to consider its proper meaning. In a market economy, money is the medium of exchange for the products and services people have created. It is thus the reward for productive achievement in a society of traders, of people who live by peaceful exchange rather than plunder. When the desire for money is connected with achievement, there is no vice involved, and the concept of greed is inapplicable. There cannot be any excess in the desire to achieve, and it is proper to want one's achievement recognized and rewarded by those who benefit from it.

Because it is a medium of exchange over time, money also serves as a store of value. It is thus an input to the process of further production, just as information is an input to the process of producing knowledge. It would be absurd to accuse a scholar or scientist of wanting too much information, as long as he can profitably employ it. The analogous claim is equally absurd for investors, bankers, entrepreneurs, and others who specialize in using money to expand production.

If our standard is human life and happiness, we cannot set any arbitrary upper limit on permissible levels of material comfort.

The concept of greed can properly be applied only when the desire for money is divorced from any concern with achievement. Some people want money without having to earn it—a life of luxury without the effort of producing. Some people want the prestige and social status that come with wealth. Some want power over others. In motive, greed is a desire for wealth without regard for achievement or creation. In action, greed is the unprincipled pursuit of wealth. This includes the use of force, fraud, and other coercive means. It also includes the violation of ethical norms, both the universal standards of honesty and fairness, and the specialized standards that apply to particular professions.

Many of those convicted of insider trading fit this description. As far as one can tell from what has appeared in print, for example, Ivan Boesky's motives had more to do with gaining prestige and power than with any concern for creating economic value. And his practice relied on the theft of information; he regularly bribed his informants at law firms and investment banks to violate their fiduciary responsibilities.

So there is such a thing as greed, and it is, as another common definition says, a reprehensible form of the desire for money. But what makes the desire reprehensible is not a matter of degree. If our standard is human life and happiness, we cannot set any arbitrary upper limit on permissible levels of material comfort—any more than there can be too much knowledge or beauty in our lives. It is not greed for a person with expensive tastes to work hard for the wherewithal to satisfy them. It is not greed for an entrepreneur to seek the capital he needs to make his vision real—even if the sums involved are huge.

A third factor that supports the view of the '80s as a decade of greed is an implicit sense of fairness about the distribution of income. Although egalitarians are guilty of considerable statistical subterfuge on this issue, there is no question that the income gap between rich and poor has widened recently. According to the standard Census Bureau measures, the share of aggregate income received by households in the upper fifth of the income scale increased from 44.2 percent in 1979 to nearly 47 percent in 1989. Gains by the upper tenth and the upper 1 percent were even more pronounced. The broadest measure of inequality, an index known as the Gini coefficient, began rising slowly in the mid-'70s and then rose more steeply in the last decade.

Press reports rarely bother to mention what ought to be obvious—that the poorest fifth in 1979 and the poorest fifth in 1989 are not the same class of individuals. Census figures indicate that real income in a given quintile changes by no more than 1 percent from one year to the next, whereas annual turnover in the composition of the quintiles is 20 percent to 40 percent. Thus the commonly reported statistics on income distribution do not measure the economic fate of individuals over time. They measure changes in the value that the market places on various productive functions—various "offices" in the economy that are occupied by different people at different times.

The real question of fairness is whether individuals are free to exploit the opportunities available to them in the effort to improve their condition. A mixed economy like ours places many constraints on such freedom, from the income tax to the regulations that control entry into many businesses and professions. But longitudinal studies that follow individuals

over time show there is still a great deal of social mobility. The Treasury Department's Office of Tax Analysis analyzed a random sample of people who filed tax returns during the decade from 1979 to 1989. Only 14 percent of those in the bottom quintile in 1979 remained there 10 years later; everyone else had moved up the income ladder as they got older. Indeed, more of them (15 percent) made it all the way to the highest quintile than remained at the bottom.

A similar study by the Urban Institute covered two 10-year periods: 1967-77 and 1977-87. In each case, those in the bottom quintile at the beginning of the decade increased their incomes by an average of 75 percent over the next 10 years. Those in the top quintile at the outset had an average increase of 5 percent. As the authors put it, "when one follows individuals rather than statistical groups defined by income, one finds that, on average, the rich got a little richer and the poor got much richer over the decades." The study also showed that the rate of mobility was about the same during these two decades. Contrary to the impression one gets from the media, the transformations of the '80s did not diminish the prospects of moving up the economic ladder.

Contrary to the impression one gets from the media, the transformations of the '80s did not diminish the prospects of moving up the economic ladder.

The last and the deepest of the cultural premises we need to consider pertains to self-interest. A market is a system of exchange among individuals pursuing their own purposes, largely for their own gain. But moralists have always looked askance at the motive of self-interest. In the 18th century, when an understanding of the market system began to emerge, writers like Bernard Mandeville felt they were asserting a moral paradox: that private vices could produce public benefits. Ever since, the pursuit of self-interest has carried the burden of proving that it serves the public good.

Yet as Ayn Rand has observed, this attitude is incompatible with the liberal principle that individuals are ends in themselves—the principle that lies behind the legal system of individual rights. If the individual is an end in himself, he is morally as well as legally entitled to be an end *for* himself. He has the right to the pursuit of happiness, which includes the right to regard his own happiness as a self-sufficient end, requiring no further justification in the form of service to God, society, the biosphere, or whatever.

Of course the pursuit of happiness does not entail selfishness in the conventional meaning of that term: the vain, self-centered, grasping pursuit of pleasure, riches, prestige, or power. The ethics of individualism, backed up by abundant psychological evidence, holds that happiness is the product of achievement, of stable relationships with friends and family, of peaceful exchange with others, and of the kind of self-esteem that is above the need for comparisons. The pursuit of self-interest in this sense requires that one act in accordance with moral standards of rationality, responsibility, honesty, and fairness. But it does not require self-sacrifice or "service above self."

In his recent book about leveraged buyouts, George Anders gives a disapproving summary of the spirit of the '80s: "The important thing was to join in the getting. Growing rich no longer required an apology; it was a point of pride." Why should any apology be required? The assumption is that wealth reflects the unseemly pursuit of self-interest.

These four premises—that financial activity is noncreative, that production in general is materialistic, that income should be distributed as equally as possible, and that the pursuit of self-interest is unseemly—served as filters blocking out the real story of the '80s. The successes of that era remain invisible because they violate these popular assumptions.

Capitalism has always labored under a cloud of moral unease, from which a sense of outrage precipitates during periods of stress or change. The motives of those who prosper in the market have always been regarded with suspicion. At the end of the last century, men like Andrew Carnegie, John D. Rockefeller, James J. Hill, and J. P. Morgan made millions by building railroads and steel mills, drilling for oil, and financing a fabulous burst of economic growth. Economic historians have shown that they earned their wealth by production, not predation. Many of the allegations made about them have been shown to be complete fabrications. Yet they are still routinely described as "robber barons." Myths that confirm our moral premises have remarkable staying power.

It is said that history is written by the victors. That may be true of military conquest. But the history of the last decade is being written by the losers. In the '80s, capitalism won its ideological battle with socialism and unleashed an epoch-making burst of creative energy. But unless we reexamine our ethical assumptions, the history of the decade will be written by those who never liked capitalism and do not wish it well. ◻

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OH, GROW UP

BY RICK HENDERSON

"Ladies and gentlemen, I present the head of George Bush." Thus spake soon-to-be-former Heritage Foundation Program Director Betsy Hart to an audience of 100 young conservatives in Washington the night after the election. Ed Hudgins, another staffer, then brought in a silver platter holding a stuffed latex mask, splattered with stage blood, of the president. Hudgins paraded the "death mask" in front of the crowd for a couple of minutes. Laughter—along with some mutters and grumbles—buzzed around the room. And then the scheduled panel discussion on how young conservatives can revitalize their movement began.

Fox News and *The Washington Times* reported the severed head incident. Gossip zipped through the city for two days. Hart told the *Times* that the head was "a gag," merely something that came "out of the audience." If so, she must have thought it was a real hoot: She paraded the severed head around the Heritage lobby after the forum. Heritage President Ed Feulner quickly apologized to President Bush and fired Hart. (Hudgins quit.) The substance of the forum—the reason those young conservatives came to Heritage that night—was forgotten.

When I was in high school, my buddies and I would occasionally moon people. In a fit of pique, we once took one obnoxious fellow and ran him up the flagpole. (The student body president was in on this with us. Small towns in western North Carolina are tougher than you think.) But I'm not in high school anymore, and neither are the Heritage folks who put George Bush's head on a platter.

Welcome to the nation's capital. Before I moved here in January, I often viewed D.C. as a company town whose only industry didn't produce anything. After getting wired into the local scene, I've changed my tune: Washington more closely resembles a college town where nobody really has to graduate.

If you think I overstate Washington's chronic case of adolescence, consider:

• A common Washington type is a bright, well-educated, 30-something male who works for $20,000 a year as the deputy press secretary for some backbencher in Congress. Why? "So he can scam on 20-year-old interns," a congressional reporter says.

• A friend who moved to Washington was amazed because "you never really have to buy food. Just find a reception or a good happy hour. They're all over town."

• Washingtonians can toss back a cold one—or a pitcher—with the best of them. Remember when Jimmy Carter tried to crack down on business tax deductions by going after the "three-martini lunch"? It turned out that the only place anyone had a three-martini lunch was on K Street. In such places as Atlanta and Chicago, genuine business people said, "People *drink* at lunchtime? *Three* martinis?"

And if three belts at midday sound impressive, imagine what Washingtonians slosh down *after* work. When I played softball Tuesday nights with a group of former college newspaper editors this summer, our postgame team chant was, "Let's go drink!" The team would then proceed to a tavern, not for a couple of beers (we had those during the game), but to close the place down. As the team's elder statesman, I only joined the festivities a few times. After all, I had to go to work the next day.

• The Beltway has its own fraternity: public-policy experts. But it's often hard to distinguish the person with actual expertise from the junior wonk with a fancy title. One friend of mine went to work for a think tank, analyzing economic policies in a number of faraway lands. He is a sharp fellow: intelligent, conscientious, and a quick learner. But he had spent his brief career studying U.S. policy exclusively. No problem. At a reception soon after my friend started his new job, one of his senior colleagues introduced him as "this town's leading expert" on economic policies in those faraway lands. (Some of these policy fraternities are more than metaphorical. They have names, like "The Third Generation" and "The Smart

HENRY PAYNE

Set," and hold regular meetings.)

• A painfully funny article on D.C. social life in last November's *Washingtonian* notes that many Hill Rats may as well have stayed in school. One woman tells author Lisa DePaulo that Capitol Hill staffers "have all the amenities they had back in school. A cafeteria to eat lunch in with their buddies every day, a barber, dry cleaner, post office. And lots of those guys—even the 30- and 40-year-olds—still live in *group* houses!...That's okay when you're really 22 or 23, but these guys *stay* at 22 or 23."

Only recently has Washington become a mecca for Toys-R-Us Kids with college diplomas. The first Reagan term attracted a small cadre of young conservatives who took over the White House policy apparatus. Fresh out of elite schools, full of enthusiasm and conservative ideology, these "minicons" (so named by Andrew Sullivan in a November 1990 *Esquire* column) could conquer the Reagan idea mills because they had little competition from their elders.

By the second Reagan term, Washington had become a glamorous place for conservatives and libertarians to live. An entire intellectual infrastructure had relocated here. The Cato Institute and the Institute for Humane Studies moved here from the West Coast. Irving Kristol moved his neoconservative publications from New York City. *The American Spectator* came east from Bloomington, Indiana. *National Review* beefed up its Washington office.

Heritage, the Leadership Institute, the Institute for Educational Affairs (now the Madison Center for Educational Affairs), the Competitive Enterprise Institute, and a host of other organizations started their own intern programs, which soon sucked even more young people inside the Beltway. During the first Reagan term, *Human Events* columnist M. Stanton Evans founded the National Journalism Center to train minicons as reporters. Evans says, "Young conservatives thought the way to be a part of conservative activity was to come to Washington and get a job"—any job. Whether they meant to or not, by placing an extensive job network in Washington, older conservatives had created a field of dreams—"If you build it, they will come"—for young activists.

Washington was getting younger. And it was also beginning to attract people who wanted to be something rather than those who wanted to do something. Consider journalism. A surprising number of conservative college-aged interns believe that, as long as they wrote an occasional op-ed for their campus newspapers, they can come to Washington, open the mail in a newsroom for three months, and automatically be qualified to become the next Charles Krauthammer or George Will. "Syndicated columnist" seems to be the politically correct career goal for minicon journalists.

Interns believe that they can come to Washington, open the mail in a newsroom for three months, and automatically be qualified to become the next George Will.

This trend disturbs Evans, whose National Journalism Center sponsors more than 100 internships at print and broadcast outlets in D.C. each year. "We tell young people to get out of here," he says. "If you wanted to become a famous actor, you wouldn't hang around outside a movie studio or stay backstage at a theater and paint scenery. You'd [work] in regional theater and learn your craft. Don't expect to become a successful journalist by sitting in Washington, gathering crumbs from the table."

The same criticism applies to the Beltway's "instant experts," who rely heavily on polemical arguments that have not been subjected to the rigors of academic research. Possessing a spiffy title does not confer omniscience. And while petty political struggles certainly take place inside the academy, the nature of the scholarly process—which first seeks the truth—discourages the mean-spirited tone pervading Washington policy discussions.

Living in a college town does have benefits. (I should know. I lived in the Chapel Hill area for 10 years after graduating from the University of North Carolina.) Social and professional life revolve around the campus, so it's easy to make friends and find other people who share your interests. College towns are also intellectually stimulating. The prevailing culture values ideas, encouraging you to learn as much as possible.

But most people eventually graduate. For many young conservatives and libertarians here, Commencement Day is January 20. With a Democrat in the White House, think tanks and consulting firms will pare some deadwood and lay off some junior analysts to make room for the more talented or famous Bush employees. Lesser-known Republicans may have to leave town.

If these folks want to do more than hang out at happy hours and circulate their résumés, there are plenty of challenges for them outside the Beltway. Governors and legislators across the country are struggling with school choice, welfare reform, and a host of market-oriented policies.

Free-marketeers shouldn't be afraid to start their own businesses—even in nonpolitical fields. Running an inn gave George McGovern a new appreciation of the hassles and costs of government regulation; think what entrepreneurship could do for already-skeptical young policy wonks. In addition, existing companies need public-relations people who can represent capitalists because they believe in capitalism. And the job market for entry-level journalists—real reporters, not pontificators—is picking up.

Those courageous enough to venture outside the Beltway should prepare for some culture shock: Once you graduate, the meal plan expires. Be ready to buy your own food.

Rick Henderson is Washington editor of REASON *(until angry minicons read this and put out a contract on him).*

FOR COLLEGE AND COUNTRY

BY DAVID R. HENDERSON

During the presidential campaign, Bill Clinton called for a National Service Trust Fund to "guarantee every American who wants a college education the means to obtain one." Under Clinton's plan, the federal government would increase loans to college students. But as part of Clinton's "New Covenant," in which people don't get government benefits for nothing, students would be required to repay the government through payroll deductions or to work for one or two years at a "public service" job. If they took the latter option, they would receive $10,000 in wages and $10,000 in loan forgiveness for every year they worked.

Clinton has had this idea for a while. In 1988, the Democratic Leadership Council proposed a plan for national service. In his foreword to that proposal, Sen. Sam Nunn (D-Ga.) lists Clinton, at the time a member of the DLC's governing board, as one of the proposal's developers. Will Marshall, the plan's author, now heads the Progressive Policy Institute, which *The Wall Street Journal* called "Clinton's campaign think tank."

So although Clinton was vague about the details during the campaign, we can reasonably assume that his national-service proposal will resemble the DLC's. And Clinton thought the idea important enough to mention it again in his November 12 news conference, his first after being elected.

Government service later in return for college aid now is not new. The U.S. military does it with its ROTC program, in which college students receive enough money to cover all college expenses, plus a small stipend. In return, students train during their summers and serve as military officers for a number of years after graduating.

Nevertheless, national service is a bad idea. It undercuts the concept of voluntarism; it would give taxpayers little in return for a lot of money; and, ominously, its strongest supporters have traditionally favored compulsory national service with prison sentences for those who refuse. Furthermore, there is a better way for students to get college aid that costs taxpayers nothing and would not even involve the government.

National-service advocates usually pitch their proposal by appealing to the strong tradition of service in America.

National service would force the government to define service. Is a pre-med student serving when working hard to become a doctor, not just to earn money but to help people? Not according to Bill Clinton.

They picture many "unmet needs" that national-service workers will supposedly meet. When he described his plan in his nomination-acceptance speech at the Democratic convention, Clinton envisioned "millions of energetic young men and women, serving their country by policing the streets, or teaching the children, or caring for the sick, or working with the elderly or people with disabilities, or helping young people to stay off drugs and out of gangs."

The Democratic Leadership Council claimed that its proposal built on the American tradition of voluntarism that Alexis de Toqueville so admired in the 1830s. National service, the DLC claimed, would encourage citizens "to rely less on the impersonal agency of government to solve their problems."

But national service actually violates the tradition of voluntarism—precisely by getting the government involved. And that involvement doesn't come cheap.

An October 23 *Washington Post* article pegged the cost of Clinton's program at $10 billion to $13 billion. An additional $10 billion in spending amounts to, on average, an additional $100 in taxes for each of the roughly 100 million taxpayers in the United States. Clinton thinks his program will cost about $8 billion, an estimate he defended during one of the debates with George Bush and Ross Perot.

Yet this figure appears very squishy. In an October interview, campaign spokeswoman Avis Lavelle told REASON reporter Grant Thompson that the estimate does not rely on any particular assumptions about what percentage of students would choose national service, as opposed to paying off the loans out of their incomes. But without this information, how can anyone predict the program's cost?

What would the taxpayers get in return for their money? Probably not much, if Clinton's bill resembles Sam Nunn's 1989 national-service bill. Nunn's bill forbade "displacing" someone currently employed. This means that national-service workers would not even be able to take the place of any of the millions of workers now being paid the minimum wage of $4.25 per hour. Their labor would then have to be used in tasks worth even less than $4.25 per hour. No wonder the needs are unmet: At current wages, they aren't worth filling.

Yet the $10,000 per year paid by the government to the national-service worker, plus the loan forgiveness of $10,000 per year of work, amounts to $10 per hour. So the government would pay $10 an hour for work that is probably worth less than $4.25.

To use the workers in more-valuable pursuits, Clinton would have to take on municipal employees, who have the strongest unions in America. During the campaign, he was unwilling to do this.

National service would put the federal government in the position of defining what is service and what is not. Its pro-

ponents take a very narrow view. Is a pre-med student serving when she works hard to become a doctor, not only to make money but also to help people? Not according to Bill Clinton.

What about the youth who wants to become a businessman so he can revolutionize the production of a good and sell it at a lower price? Is he serving? Apparently not.

As the proponents of national service see it, someone "serves" only when engaged in an activity that no one values enough to pay for. The national-service advocates take service to others and turn it into work. They would rewrite Milton's sonnet to read: "Only they serve who stand and wait."

To Clinton's credit, his national-service plan is voluntary for the participants (though not for the taxpayers). But many prominent supporters of national service would prefer compulsion. For example, Sen. Charles Robb (D-Va.), one of the sponsors of Nunn's 1989 bill, has stated his preference for universal military training. Nunn himself used to be a strong advocate of the draft.

And Sen. Harris Wofford (D-Pa.), in a 1979 book on national service, expressed his excitement about "the extraordinary mobilization of the talent of young people possible under authoritarian, post-revolutionary conditions" such as those in China. In that same book, Roger Landrum, a contributor to the DLC's proposal, favorably cited Chairman Mao's forced removal of millions of Chinese youth from cities to the countryside and Castro's similar coercion of Cuban youth as examples that "fire some American imaginations."

None of the supporters who reject compulsion do so on principle. In a 1989 *Washington Post* op-ed, for example, Landrum gave three reasons for rejecting compulsory universal service: 1) "the cost is out of sight," 2) "debates over compulsion are an endless distraction," and 3) "the administrative requirements are a nightmare." So Landrum's only objection to compulsion, aside from cost and administrative hassles, is that it has to be debated. And red tape, not prison sentences for 18-year-olds, is his idea of a nightmare.

It isn't hard to build a scenario in which national service leads to a draft. Here's one: National service attracts few kids from higher-income families. Its advocates then argue that the only way to get broad participation across all income classes is to make national service compulsory. With the voluntary-service network in place, and with an existing constituency of organizations that benefit from the artificially cheap labor, the next step is compulsory service.

Implausible? In 1989, Scott Celley, a spokesman for Sen. John McCain (R-Ariz.), told me that McCain supported national service to "start plugging people into positions and setting up networks with state and local officials." Then, after two years, McCain would have switched to a mandatory system of universal service, with "disincentives" for those who do not participate.

"Could one 'disincentive' be a prison sentence?" I asked. Answered Celley: "Under consideration would be a full range of possible penalties to ensure mandatory participation."

It's true that national service addresses a real problem—funding for college education. But there's a better solution for those whose parents can't afford tuition. They can borrow the money. True, the interest rates for borrowing are high, but they're high because the loans are risky. And the loans are risky for one main reason: The U.S. Supreme Court refuses to allow enforcement of contracts in which people exchange their future labor services for money. The Court calls that "involuntary servitude," but it's no more servitude than the requirement that I pay my mortgage.

The Court does allow such contracts to be enforced when the employer is the U.S. military. National-service advocates would have the government do it for civilian jobs. People should have the same freedom to contract with private lenders to do private-sector jobs. And that would take care of funding for any deserving student who could benefit significantly from college.

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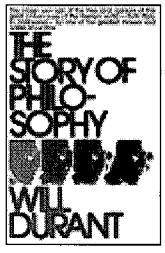

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THE THIRD WAY

BY JOHN HOOD

One of the most closely watched Senate races this year was Republican Mike DeWine's spirited challenge to longtime Ohio Sen. John Glenn. Glenn's national fame as astronaut and, less heroically but more recently, as one of the "Keating Five" drew press attention to the race. GOP operatives thought it was a race they could win, and party donors pumped millions into DeWine's campaign.

But when the results popped up in the network election coverage and on the wire services election night, they were underwhelming. Glenn had won re-election handily, with 55 percent of the vote to DeWine's 45 percent.

Vindication for Glenn? Not exactly. The results were false. They left out the 7 percent of Ohio's vote won by Martha Grevatt, the nominee of the Worker's World Party. In fact, Glenn won barely over 50 percent of the vote—hardly a ringing endorsement.

In Georgia, the news media had no choice but to report the true results of that state's Senate race. Democratic incumbent Wyche Fowler got slightly more votes than Republican Paul Coverdell, 49 percent versus 48 percent. But in Georgia, you must win 50 percent in a statewide race to avoid a runoff, and Libertarian Jim Hudson's 3 percent kept Fowler from that goal. Coverdell won the runoff by about 15,000 votes.

One reason Americans weren't told how successful third parties were on election night is that the news media's provider of election returns, the News Election Service, doesn't bother reporting how most third parties do. Local newspapers and TV stations often provide better information in their own areas, but the lack of comprehensive information helps keep third-party and independent candidates off the national news.

That's too bad, because their performance is one of the most interesting stories of 1992. Whether because of Ross Perot's roller-coaster campaign or a general sense of disaffection with the choices presented by the major parties, third parties and independent candidates enjoyed a very successful year.

In numerous federal, state, and local races, third (or even fourth or fifth) choices on the ballot played a significant role in electoral outcomes—either as spoilers or, in some cases, as winners. It's a phenomenon the Democratic and Republican parties ignore at their peril.

The national news didn't report third parties' returns. That's too bad, because their performance was one of the most interesting stories of 1992.

California, with a fifth of the nation's voters, is a good case in point. In nine U.S. House races there, third-party or independent candidates took a higher percentage of the vote than the spread between the Republican and Democrat—suggesting that third parties may have stolen enough votes from one major party to deliver the election to the other. The same was true for two state Senate and four state Assembly races and for one of California's U.S. Senate races: Democrat Barbara Boxer beat Bruce Herschensohn 48 percent to 43 percent, but candidates from the American Independent, Peace and Freedom, and Libertarian parties got a combined vote of almost 10 percent.

Congressional races in Montana, Alaska, Arizona, Missouri, and Ohio followed a similar pattern. And in Maine's 2nd Congressional District, Green Party nominee John Carter took 10 percent of the vote—probably all from Democrat Pat McGowan, leaving GOP incumbent Olympia Snowe with 49 percent and a victory. Independent candidates for governor in West Virginia and Utah scored high; Utah's Merrill Cook came within nine points of winning.

Nationally, two governors—Lowell Weicker of Connecticut and Walter Hickel of Alaska—represent third parties. And the National Conference of State Legislators reports that independent or third-party candidates were elected to state legislatures in eight states this year: Alaska, Arkansas, California, Massachusetts, Mississippi, New York, New Hampshire, and South Carolina. New Hampshire has four Libertarian legislators, while the loose-knit Progressive Coalition claims five legislators in Vermont.

Some of the most effective "third-party" candidates were independents who had defected from the major parties. In Connecticut, first-term Rep. Gary Franks started 1992 in big trouble. Despite national renown as a conservative black Republican, Franks had nevertheless been blasted for not tending to his constituents' needs and for hiring a weak congressional staff. Democrats saw the Franks seat as ripe for the picking.

In a hard-fought primary contest, James Lawlor, a former Connecticut probate judge, defeated Lynn Taborsak for the Democratic nomination. Taborsak, a former state legislator strongly supported by the state's labor unions, then ran in the fall as the nominee of the Connecticut Party created by Weicker.

"All along, there was no question she would be a factor," says Larry Cohen, executive director of the Yankee Institute for Public Policy Studies and a former writer for the *Hartfort Courant*. Like Franks—but unlike Democratic nominee Lawlor—Taborsak favors abortion rights. She wound up with 23 percent of the vote, splitting the anti-Franks vote and allowing the incumbent to slip back in with only 45 percent.

Something similar happened in Penn-

sylvania's 19th Congressional District. Republican incumbent Rep. William Goodling had bounced hundreds of checks on his House bank account, and many Republicans felt he had drifted away from conservative principles. (For example, he has opposed school choice.) Thomas Humbert, a former aide to Jack Kemp, ran on a Kempite "empowerment" agenda and split the anti-incumbent vote with Democrat Paul Kilker. As a result, Goodling won re-election with 45 percent.

What made third parties so successful? Ross Perot was a factor. But it's not "burying the lead" to greet the Perot explanation skeptically. He did enjoy surprising and astounding success, pulling the largest vote for an independent presidential candidate in recent political history and exceeding the 20-percent mark in 30 states. His performance will certainly attract greater attention to third parties and independents next time around.

But he didn't create the phenomenon, says Richard Winger, editor of the political newsletter *Ballot Access News*. "It had already started." In 1990, he reports, more than 7 percent of voters, on average, opted for a third choice in the highest office up for election in their state.

Winger attributes the appeal of alternative candidates to ongoing public disaffection from two-party centrism and government as usual. That would explain why both Libertarians and Greens did relatively well this year, despite their broad disagreements on most issues.

What was new this year was the media attention Perot helped bring independents and third parties. During the summer, when Perot's numbers were surging, newspapers felt obligated to devote more attention to independents and third-party candidates in their own area. Perot became a good news peg.

The 1992 success of alternative candidates may help put third parties in the media spotlight for future elections. In Georgia, Jim Hudson's spoiler role in the Senate race garnered attention for the Libertarian Party from CBS, CNN, NBC, and other major media organizations. "It was a surprise to a lot of people," says Merle Black, a political scientist at Emory University, so a relatively small vote total became a big state and national story. Black says the result may well lead Georgia to abolish its runoff law.

Despite the fun these third-party and independent candidates provided this year, there is reason to be cautious about predicting some huge wave of anti-"Republicrat" activism. Third parties still play a peripheral role in most election campaigns. Some parties, such as the Libertarians, regularly field candidates across the country. But most do not.

Although alternative candidates are best analyzed on a case-by-case basis, they do tend to thrive when incumbents are immersed in scandal.

And some parties, including Perot's "United We Stand," are basically personality cults. Weicker's Connecticut Party, for example, "is a party in name only," the Yankee Institute's Cohen says. It endorsed mostly major-party candidates and had only a handful of truly independent nominees for office.

State idiosyncrasies can also create the illusion of influence. The Connecticut Party nominee was the first listed for each race on the state ballot this year because of Weicker's win in 1990—giving a helpful boost to its nominees and co-nominees.

Alternative candidates are best analyzed on a case-by-case basis. The needs, interests, and unique political history of a particular jurisdiction determine whether independents and third parties can play a significant role there. In Pennsylvania, Tom Humbert's name recognition and established ties in the district as a Republican activist helped propel his independent candidacy for Congress.

Alternative candidates also thrive when incumbents become immersed in scandal, such as Goodling's check bouncing in Pennsylvania. Charges of sexual harassment against Sen. Daniel Inouye (D-Hawaii) helped Green Party nominee Linda Martin win 14 percent in the Senate race. And other candidates, such as former Gov. Evan Mecham of Arizona—who ran for Senate this year against Republican John McCain (another Keating Five incumbent) and Democrat Claire Sargent—rely on their own fame (or infamy) to attract votes. Mecham took 11 percent of the vote.

How will the two major parties react to alternative challenges? In many areas, they might follow another old political tradition and try to co-opt third-party voters. Georgia Republican Coverdell included Libertarian Hudson at a news conference kicking off his Senate runoff campaign and promised that if elected he would try to make ballot access easier for third parties.

More generally, a Democrat running in Maine might talk up environmental concerns to steal the Green Party's thunder. Or a suburban Republican could emphasize libertarian-sounding themes to dissuade the Libertarian Party from running a candidate—or, failing that, to attract most economically conservative, socially tolerant voters. California Assemblyman Tom McClintock's principled antispending record and outreach efforts persuaded the Libertarian Party not to run a candidate against him for the U.S. House; he nonetheless lost to incumbent Democrat Anthony Beilenson, who won 56 percent of the vote.

Obviously, major-party candidates will make judgment calls about whether a third-party challenger poses a significant risk to them. Similarly, third parties and independents will have to judge whether a major-party candidate will follow through on sympathetic campaign rhetoric—or whether an independent challenge would still be best. Sometimes not running a candidate (in other words, being co-opted) will exert the greatest influence on behalf of cherished principles, as the Progressive movement demonstrated earlier this century. For the moment, though, look for independents and third parties to choose the more exciting option.

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CULTURE CLASH

BY MARTIN MORSE WOOSTER

One of the odder developments in the 1992 political debates was the emergence of "the culture war" as a major piece of the Republican argument. Certain parts of this war had, of course, been in place for a long time. "Liberal media bias" was the big bass drum of the right-wing revival, the sonorous cliché the direct-mail copywriters knew would always scare donors into sending another check. And followers of conservative publications had long read about tax dollars being funneled through the National Endowment for the Arts and the Public Broadcasting System to subsidize a saturnalia of vice, perversion, decadence, and Bill Moyers.

Movies are now covered as news. *Thelma & Louise*, for example, provoked articles about the status of women.

But it wasn't until 1992 that the hard right decided that America's moral decline was all Hollywood's fault. For the right, this was a new argument. The liberal virus had not just infected the elite but was eating into America's family values like sulfuric acid.

There you are, Joe and Jane Sixpack, coming back to your little home in Royal Oak or Ozone Park or Glendale after a hard day at the job. All you want is some laughs, so you turn on a sitcom or pop in a video, and what do you get? *Liberalism*! Seeping into the sacred American home like marijuana smoke!

"Look around our own country," Pat Buchanan thundered in the October *Dimensions*. "Do we not see the monuments of a counter culture that dominates the arts, theatre, literature, music, films, photography, education, and media?...the challenge and the duty facing this generation, who have the gift of a good, sound education, is to show your countrymen the way to recapture America's culture—from barbarism."

This "culture war" is the culmination of three trends, each of which intensified during the 1980s. The first trend is the explosion of publicity for movies and television. It is probably true that throughout Hollywood's history most producers, directors, and actors have been liberal Democrats. Most of the time, though, newspapers and magazines managed to restrict Hollywood news to the entertainment pages or the feature sections.

But in the '80s and '90s, notes *London Times* Los Angeles correspondent William Cash in the October 10 *Spectator*, Hollywood's publicists, after decades of battering, managed to break out of the feature section and have their products covered as hard news. *JFK* elicited punditry about the Kennedy assassination; *The Accused* prompted articles about date rape; *Thelma & Louise* provoked discussion about the status of women.

Allied with this trend was the unfortunate tendency of an increasing number of once-serious magazines to fill their space with carefully controlled celebrity interviews and profiles designed to promote movies. If you picked up an issue of *Esquire*, *Vanity Fair*, or *Premiere* during the '80s, you invariably encountered some of America's best writers straining to say something interesting about a film under restrictions that most political reporters would find intolerable.

Cash reports that this trend is continuing. The London *Sunday Times* has replaced its arts section with "The Culture," primarily devoted to Hollywood. And Tina Brown's first acts as editor of *The New Yorker* included firing the ballet critic, hiring a television critic, and making sure that a large number of the items in the "Talk of the Town" section were tied to new films or television shows.

Having captured all this space, actors had to say *something* to fill the pages. Simply having a nice figure or a cool haircut was not enough for 10,000 words in *Esquire*. So actors entered the punditry business, becoming what Cash calls "agony aunts, displacing writers and political commentators as interpreters of the American condition. Desperately seeking to legitimate themselves as serious people, they get themselves up as experts on matters ranging from AIDS to Zagreb."

Meanwhile, the Reagan and Bush presidencies ensured that an entire generation of conservatives and libertarians found government or public policy a far more alluring career than trying to paint, write screenplays, or create serious works of fiction or nonfiction. By choosing government careers, the "Third Generation" of young rightists ensured that the left would continue to dominate the popular culture.

So the liberals in charge of the film studios and the serious magazines rarely saw a conservative and had no idea why anyone would find liberalism unappealing. The Manhattan magazine world and the Los Angeles film world in the '80s

PATHE ENTERTAINMENT INC.

were as hive-like as the world of the Washington policy wonk; the only difference was that Washington was dominated by people who called themselves political conservatives.

These dichotomies explain why the "culture war" became so vitriolic. The New Right attack on Hollywood was led by generals who had never acted in or written anything imaginative. Living art-free lives, these conservatives have never been able to give a persuasive alternative vision of what they want Hollywood to produce. Most tend to discuss things they do not like and rarely give examples of what they do like. And at least some of these conservatives seem to admire the films of the past not for the acting or for the script but because there was always a censor on hand to snip out the naughty bits.

The November *Premiere* quizzes top Hollywood executives about political and cultural topics. Most appear highly confused by the conservative assault. Asked if studios "have a responsibility for the values embodied by their movies," Terry Semel, president of Warner Bros., explains that his films are crammed with morality, since "they have become more conscious of issues like smoking, drinking, drugs, seat belts and the environment....Everyone who gets in a car nowadays [in films] wears seat belts, even in *Lethal Weapon*." (Can we expect to see the *Lethal Weapon* films in driver's education classes?)

Joe Roth, chairman of Twentieth Century Fox, explains that his studio's owner, conservative media baron Rupert Murdoch, has "real concerns about showing institutions in a bad light and excessive use of bad language, violence, and so on" but restrains himself from imposing his values on potentially profitable films.

And the studio bosses have little tolerance for conservatives who complain about their products. Mike Medavoy, chairman of TriStar, argues that the conservatives, if they were in charge, "would only have *The Waltons* and not *The Simpsons*, and that's not what the country is about." (Medavoy then issues an open invitation to Dan Quayle to come work for him and learn what Hollywood is really like.)

Tom Pollock of MCA is more thoughtful. "The right doesn't go to movies," Pollock says. "They criticize the movies. They use the movies to make money. They are not our audience. It's when you're getting the calls from the people who do go to movies, saying, 'We just don't want to see women hacked anymore, we don't care how much money you make,' then you sit up and take notice."

Pollock's comments offer a way to find a truce in the culture war. The entertainment industry is made up of capitalists who do not want to make products that no one wants to buy. The liberals who recognize this fact tend to deplore it. Lewis Lapham, in his editorial in the September *Harper's Magazine*, denounces Hollywood for being part of the "corporate elite" that believes that "what is moral is what returns a profit and what satisfies the bottom line....the gentlemen define education as a commodity and culture as merchandise."

Certainly the scriptwriter whose work is rejected after five rewrites has ample reason to denounce the bureaucracy of the film world. But the capitalist nature of the entertainment industry puts checks on the ability of filmmakers to produce works that consumers find threatening and demeaning.

Remember the craze of the early '80s for films in which women were tortured by demented psychos? Studios stopped making these savage films not because of protests or censorship but because filmgoers quickly became tired of the ceaseless brutality against women and profits dried up. Similarly, movies that offer political sermons instead of entertainment do not make money. Most of the films to which the right so strenuously objects are box-office bombs. *Guilty by Suspicion*, for example, was denounced by the neoconservatives for sanitizing the McCarthy era, but it quickly left the theaters.

Market forces also ensure that the filmgoer who wants products with "family values" can easily find them. The falling costs of animation production, while responsible for a few peculiar films (such as *FernGully*), also made possible *Beauty and the Beast*. And the rise of the video store has ensured that great films of the past are easily accessible. When filmmakers of the '50s or '60s wanted to depict a wealth-crazed plutocrat, they would often show the rich man's screening room, where the money-mad tyrant could see any movie he wanted. That once awesome power is now available to anyone with a VCR and three bucks (and the telephone companies, as they get into the home-entertainment business, may soon eliminate the need for a VCR).

To end the culture war, three steps need to be taken. First, the editors of *Vanity Fair*, *Esquire*, *The New Yorker*, and other magazines should check their lust for Hollywood material. They might then learn that their readers' tastes are broader and more diverse than they believe—and their circulations might rise as their audiences are given more interesting articles to read.

Second, actors and directors should curb their tendency to talk about political subjects. Some actors—Robert Redford and Warren Beatty on the left, Tom Selleck and Charlton Heston on the right—have thoughtful things to say about politics. But most actors' reputations would improve if they kept quiet about subjects of which they know little.

Third, the conservatives who are entering political exile might find that their time would be well spent trying to produce art instead of constantly whining about the fiendish liberals. The right has too many policy analysts and not enough novelists and screenwriters. Films and books that celebrate traditional virtues will be produced not by clenched fists pointed toward Hollywood or Manhattan but by the lonely, hard, heroic effort of talented men and women freed from the corridors of power.

Contributing Editor Martin Morse Wooster is a writer, editor, and researcher in Silver Spring, Maryland.

It's Not a Wonderful Book

BY CHARLES OLIVER

Hollywood vs. America, by Michael Medved, New York: HarperCollins, 386 pages, $20.00

So you think Hollywood should make more movies like *Home Alone*. It was entertaining to both children and adults. There were few four-letter words. The violence was minimal and more cartoonish than realistic. It affirmed a family's love for one another. And it was one of the few recent films to show the lead character actually going to church. *Home Alone*, you say, was a good family film.

Not so fast, says Michael Medved. You're overlooking the destructive images and values that the movie conveys to children. Young Kevin is actually depicted as doing quite well without his family. He fends off a couple of burglars and helps his neighbor reconcile with his estranged children and grandchildren. "The young moviegoers who so eagerly consumed this appealingly packaged concoction inevitably admired Kevin and learned from his self-reliant example that contemporary kids need adults only for one purpose: comic relief," writes Medved in his book *Hollywood vs. America*. Medved similarly condemns *E.T.*, *The Little Mermaid*, and *Honey, I Shrunk the Kids*.

When Medved describes himself as an "observant" Jew (as he does often in this book), I'm not sure whether he's describing his religious practices or his ability to spot evil that the rest of us missed in contemporary films. The argument of his book, and it is nothing if not argumentative, is best summed up by a jacket blurb from George Gilder: Hollywood is foisting "its own loony lifestyles and muddled world views on the American people."

Conservatives have been quick to agree with Medved. "The central point of *Hollywood vs. America* is, however, unassailable: not only is there a gaping chasm between Hollywood's America and the real America, but Hollywood seems willing to pay in the coin of reduced profits for its continued refusal to bridge the chasm," writes John Podhoretz in *Commentary*.

The odd thing about this criticism is that it sounds like the standard leftist rant against business. Hollywood is conspiring to warp Americans' minds. Movie makers are foisting bad products on consumers, and although they have been doing this for more than 20 years, the market has failed to punish them. This is an interesting hypothesis, especially coming from conservatives.

When a movie that Medved dislikes succeeds at the box office, it's because the American public was fooled into seeing it by those crafty bastards in studio executive suites. On the other hand, when a movie that he dislikes fails at the box office, it's because America rejected its evil message. For example, he notes that *Star Trek V: The Final Frontier* was the least successful of the series. He blames it all on the closing moments when Capt. Kirk points to his chest and speculates that maybe God is "right here. The human heart."

For Medved, this is an obviously anti-religious statement rejected by moviegoers. He never stops to consider that the film did poorly (only in comparison to the other *Star Trek* films) because it was simply the worst of the series. Writer-director William Shatner couldn't direct traffic on a one-way street.

Medved will not let any inconvenient facts or alternative interpretations of the facts convince him that he is wrong. For example, with regard to *Home Alone*, Medved never stops to consider that self-reliance has always been a theme in children's stories, from "Jack and the Beanstalk" and other folk tales to more recent classics such as *The Boxcar Children*. That's why children like them, and that's why parents, who usually want their children to grow into self-reliant adults, read the stories to them. Lack of historical perspective is a major weakness—one of many—throughout this book.

Consider the chapter "Hostility to Heroes." Here Medved takes contemporary cinema to task for its obsession with punks, villains, and morally ambiguous heroes. So what's new? When he thinks of James Cagney, Medved may recall the actor's singing and dancing portrayal of George M. Cohan in *Yankee Doodle Dandy*. But the rest of us recall Cagney's mother-fixated murderer in *White Heat*. And if Medved wants to see Hollywood glorify morally ambiguous figures, he should watch Clark Gable in *Gone with the Wind* or Humphrey Bogart in *Casablanca* or *The Maltese Falcon*. In fact, Bogart made a career out of morally ambiguous characters.

Or take the chapter "Maligning Marriage." Here Medved once again demonstrates his keen powers of observation. Most of us probably thought the box-office hit *Sleeping with the Enemy* was just a thriller about a wife's attempt to escape from her psychotic husband. But Medved sees it as a general "indictment of conventional marriage as a cruel and unhealthy arrangement." And, of course, he spots a trend: Hollywood hates marriage and never misses an attempt to show married people committing adultery or trying to murder their spouses.

True, we don't see many dramas about happily married folk. But would we want to? Medved never stops to consider the

idea that maybe adultery is simply a powerful dramatic theme—powerful because we value marriage so much—or that the murder of someone by her spouse is an evocative plot element. Contrary to Medved's assertion that Hollywood has in the last three decades become anti-family, dysfunctional marriages and murderous spouses have for centuries been subjects tackled by dramatists (Has Medved never read *Othello*?) and have been staples of the movies from the industry's beginning.

Like leftist critics of business, Michael Medved argues that the entertainment market fails to deliver what people really want.

Medved would probably be apoplectic if he saw any of the classic film noirs from the 1940s and '50s. They always involved one spouse trying to kill another, usually with the aid of a lover. Remember Barbara Stanwyck and Fred MacMurray (Fred MacMurray!!) trying to kill Stanwyck's husband in *Double Indemnity*? And as for adultery, it seems that in half her movies Joan Crawford enticed men to cheat on their wives and in the other half her husband cheated on her.

But it may be too much to expect Medved to remember 40- or 50-year-old films. He seems to have trouble remembering films that were released only a few years ago. He singles out all of the Oscars that went to *Silence of the Lambs* last year as proof of Hollywood's "penchant for praising the most startling and disturbing forms of entertainment." But he remains silent about all the Oscars that went to *Dances with Wolves* the previous year; the multiple awards that *Driving Miss Daisy* garnered in 1990; and *Rain Man*'s big sweep in 1989. Yes, those films are quite "startling and disturbing."

Medved seems to recognize the difficulty he's gotten himself into and suggests at some points that the problem is the mix of films. Hollywood produces too many films that are filled with sex, violence, and attacks on traditional values. He's on firmer ground here. In the 1930s and '40s, Hollywood made film noir *and* musicals; it gave us Dracula *and* Andy Hardy. Today's mix of films seems light on G-rated fare. (There are reasons for this, but not the ones Medved thinks. I'll come back to that later.)

But Medved undermines his argument by citing as the filmmaker who most upheld mainstream American values... Frank Capra. Now, those who know Capra only from *It's a Wonderful Life* might be surprised to find that audiences of the day hated the film. In fact, Capra left the movies not because, as Medved (citing Capra's self-serving autobiography) claims, he hated the direction movies were taking, but because he produced a string of money-losing films.

The Capra that audiences loved was an unabashed liberal populist who worked his politics into almost all of his films. *Meet John Doe*, *Mr. Smith Goes to Washington*, *Mr. Deeds Goes to Town*—these were the films that audiences loved. They had bite, and they attacked the American political and economic system for screwing the little guy. If Capra had faith in the little man, it was mixed with a healthy dose of cynicism about the big man. If he believed in the individual, he had his doubts about the mobs.

But beginning with *It's a Wonderful Life* Capra began making maudlin feel-good films that failed at the box office. And it is these films that Medved seems to love. If the younger Capra were making films today, Medved would complain that all his businessmen were crooks and all his politicians were corrupt.

(As a side note, the failure of *It's a Wonderful Life* bankrupted the production company that Capra and William Wyler had formed a few years earlier. The company's only other release was Wyler's very successful *The Best Years of Our Lives*, a film about World War II veterans trying to deal with the emotional and physical wounds of war. It was one of the most powerful antiwar statements Hollywood has ever made.)

Medved is also on weak ground when it comes to cinematic violence. Unlike some other conservative cultural critics, he doesn't let Arnold Schwarzenegger, Clint Eastwood, and Chuck Norris off the hook because they are Republicans. He decries the rising rate of bloodletting in cinema. And it's impossible to deny this trend is occurring.

But Medved fails to note that the audience for action films and horror films is men—predominantly young men and men of the lower economic classes. For centuries, such persons have sought out bloody, violent entertainment, from the boar and bear baiting of Elizabethan times to the cockfighting of the 18th century to the prize fights of the 19th and early 20th centuries. The only difference is that today's young men are watching fake violence instead of real. I'm not sure that is something to complain about.

Nor does Medved consider that the personal values of most filmmakers are decidedly antiviolence. If Hollywood really were trying to foist its values on us, there would be more films about the Berrigan brothers and fewer sequels to *The Terminator*.

As Medved himself notes, the theatergoing public is overwhelmingly young (15 to 25), and it is mostly male. And young people, whether Medved likes it or not, seem to like violent and sexy films. The question is: Do we have violent and sexy films because of the young audience, or do we have a young audience because violence and sex in films have driven away older viewers and families? (Of course, even those films that draw an older or a family audience don't always

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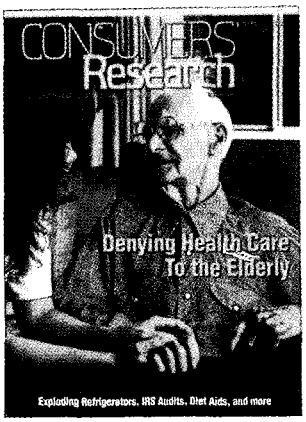

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meet with Medved's approval. Remember his reaction to *Home Alone.*)

Medved argues that the content of films has driven away the larger audience. As proof he cites the decline in cinema attendance following the abolition of the motion-picture production code, which put restrictions on the content of movies, in favor of the more-open ratings system in the '60s. Medved notes that between 1948 and 1953, as television entered more homes, movie attendance dropped from a weekly average of 90 million down to about 46 million. It remained at that level for the next 12 years. But in 1966 the average weekly attendance dropped to 38 million. In 1967, movie attendance dropped to 17.8 million, and it has remained at about that level since.

Medved contends that the drop in attendance occurred because the downbeat or kinky themes of movies and the graphic sex and violence turn off older viewers and keep families out of theaters.

The problem with his explanation is that the major decline occurred *before* graphic sexuality and violence came to the mainstream cinema. The decline began in 1966, when most major releases were still made under the old production code, which forbade curse words, graphic sex or violence, and antireligious messages. And the biggest drop occurred in 1967. Most of the films released that year were written to be released under the code, and many were actually shot before the code was abolished.

The films of 1967 were not that much different from those of 1966, 1965, or 1964. They certainly weren't offensive enough to be the sole, or even the major, cause of the 50-percent drop in the movie audience. If you have any doubts, just rent on videotape some of the 1967 films that, in Medved's words, drove audiences "from the theaters in horror and disgust": *The Dirty Dozen, The Graduate, In the Heat of the Night,* or *Cool Hand Luke.* With the exception of *The Graduate,* these films could have been made in 1964 with few, if any, changes. Incidentally, *The Graduate* was the top-grossing film of 1967.

It would be a couple more years before filmmakers could take advantage of the new freedom. I would peg 1969 as the signal year, with *The Wild Bunch* raising cinematic violence to a new high and *Midnight Cowboy* bringing a new frankness to on-screen sexuality. But by then the drop in attendance had already occurred.

So why did movie attendance drop during the mid-'60s? Remember what theater-going was like then. Most theaters were located in downtown areas that were definitely showing the signs of urban blight. And the theaters themselves were suffering from a decade of neglect. In addition, crime exploded during the mid-'60s. Between 1964 and 1967, the number of murders in the United States rose 39 percent, and the number of assaults skyrocketed by 43 percent. Furthermore, 1967, the year of the biggest attendance decline, was also the year that race riots occurred in a half dozen of America's largest cities. Is it any wonder that people didn't want to risk their lives to see a movie, any movie, at a no-longer-Fabulous Fox Theater?

Why doesn't Medved even contemplate that fear of crime may have at least played a part in driving people from the theaters? I can only surmise from the tone and tenor of this book that he first developed his thesis—that Hollywood is deliberately ignoring the market and trying to break down traditional values—and then sought evidence to back it up. He ignored anything that did not support his argument.

Of course, theaters eventually responded to rising crimes rates downtown by moving into multiplexes in the suburbs. The multiplexing of theater screens at malls made it safer to go to films and might have brought older viewers and families back to the cinema, but it occurred just as cable and videotape were expanding home-entertainment options. Older people and parents can be brought into the theater occasionally to see *E.T.* or *Driving Miss Daisy,* but given the constraints on their time and the other options open to them, they aren't likely to be regular moviegoers. On the other hand, young people have more free time and a greater desire to socialize, so they will continue to go to movies.

If Medved is wrong about why the movies changed, he's downright confused about what the changes mean. In those passages of the book where he's trying to show that Hollywood is out of touch with America, he notes that though on-screen deaths have skyrocketed in the last few years, violent crime rates have dropped and that more people say they feel safe in their homes than did in 1975; that while the movies continually present marriage in the worst possible light, marriage rates are up and divorce rates are down; and while movies continually malign the United States, 75 percent of Americans say patriotism is "in." So one would think that however evil the messages of popular culture, they aren't having that much effect on America.

But Medved argues just the opposite. In those sections of the book where he's on his poison-pervading-the-culture jag, Medved blames Hollywood and the broader popular culture for teen suicide, the breakdown of the family, crime in the street, those kids who played their boom box too loud when his family tried to spend a quiet day in the park, and the general breakdown of Western civilization. Again, there's no effort to put these problems into context.

The problems of this book perhaps show up most clearly in Medved's suggestions for improving popular culture. He explicitly renounces censorship, though more for pragmatic reasons than on principle. He therefore ends up suggesting some sort of market discipline: Consumers should go to see good movies, watch family-oriented television shows, and buy wholesome records. That's an odd suggestion for a man who spends almost 400 pages arguing that Hollywood has successfully ignored the market for more than 20 years.

Charles Oliver is assistant editor of REASON.

The Limits of Reform

BY PAUL H. WEAVER

Cleaning House: America's Campaign for Term Limits
By James K. Coyne and John H. Fund, Regnery Gateway, 235 pages, $21.95

Restoration: Congress, Term Limits, and the Recovery of Deliberative Democracy
By George F. Will, The Free Press, 244 pages, $22.95

The electorate's growing disgust with Washington began to produce institutional changes in November, when 14 states with two-fifths of the U.S. population passed ballot measures limiting the time legislators may serve in office. The success of these initiatives appeared to boost the chances of the proposed constitutional amendment, supported by George Bush but opposed by Bill Clinton, limiting U.S. senators and representatives to 12 years in office.

These two books, one by former one-term Republican congressman James Coyne and *Wall Street Journal* editorial-page writer John Fund, the other by George Will, the country's preeminent center-right newspaper columnist, argue that term limitation is an idea whose time has come. Congress, they observe, has become a careerist, bureaucratic, professionalized institution that has perverted society's quest for the common good into a trove of privilege for its members and clients.

The answer, these books argue, is to limit legislators' time in office, thereby breaking their government-expanding careerism. In Will's more-expansive view, term limits would also revive the deliberative function and restore republican morality—that is, the ideals of civic virtue, dedication to society's welfare, toleration, self-restraint, and so on.

Coyne and Fund's *Cleaning House* is a handbook for term-limitation activists. In addition to giving a good description of the current incumbency system, it contains practical information, from phone numbers and addresses of term-limitation groups in the various states to a list of answers to frequently raised objections.

For example:

- Doesn't the high congressional turnover this year show that the incumbents' hold has been broken and that term limits aren't needed? Not at all, say Coyne and Fund. The 1992 retirement binge was the result of unusual or one-time factors—the decennial redistricting, House bank scandal, and scheduled termination of congressmen's right to pocket leftover campaign funds after 1992. In fact, the power of the incumbent is at an all-time high-water mark, and only term limits can break it.
- Won't term limits restrict voter choice? No, the authors say, they'll actually increase it. It's the current system, with its massive subsidies to incumbents and its suppression of electoral competition, that really narrows choice.
- Won't term limits deprive Congress of needed skills, knowledge, and experience? No, according to Coyne and Fund. Incumbency protects the mediocre as well as the able, so opening Congress up will open the way to people with often superior capabilities and knowledge. In any case, professionalism in Congress is the problem, not the solution.

Left unaddressed by these books, unfortunately, is the central issue about term limitation: Can it be counted on to break Congress's "ruling-class mentality," or is it just a gimmick and diversion? The question here is, in part, a technical one: How stringent do the limits have to be to produce the desired effect? If we were talking about limiting legislators to a single two- or six-year term in office, we'd feel fairly certain that term limitation would work.

But 12 years? That's a long time in the framework of a career, especially these days; with several terms in local offices leading up to the full permitted period of service at the federal level, followed by a stint at a Washington law or lobbying firm, a 12-year limit seems all too compatible with the perpetuation of the current system.

Beyond that issue lies the larger question of what, politically speaking, would flow from the deprofessionalization of Congress. The public and Coyne-Fund clearly hope that a smaller, less promiscuously active government would result. If term limits were imposed as one element in a broader, pro-market, pro-constitutionalist program to return America to her Lockean roots, the effort would have a good chance of succeeding. It's noteworthy, however, that while Coyne and Fund are Jeffersonian conservatives, they don't advocate term limits as part of a broader conservative agenda. They urge term limits in isolation as a technical fix for big government, as if it were a pesticide that you apply once and forget about.

The implied notion of a technical, non-ideological conservatism that can be put into effect without any messy political struggle and risk reminds me of the supply-siders 15 years ago, when they were arguing that tax cuts by themselves would automatically restructure the incentives at work in the policy process, both reversing the real growth of government and eliminating the need for anyone to advocate anything as unpopular and risky as limited government. It wasn't so, of course. What came of it wasn't automatic conservatism, but a perpetuation of liberalism. Tax cuts without the decision to make spending cuts led to an expansion of the public sector, plus the rise of the mega-deficit.

It's easy to imagine term limits conceived in a technical spirit having a similar outcome. Given the liberal, pro-spending ideological and political forces that have been in play for years, a noncareerist, term-limited Congress would probably go right on voting for ever-bigger government.

This is where George Will's interesting but unsatisfying book, *Restoration*, comes in. It's a much broader-gauge and more ambitious exercise that, though thrown together in haste, succeeds in placing the term-limits idea in its broader context. The book's view of the dysfunctions of modern government seems highly sophisticated. A delicious story about the growth of the taxpayers' $100-million-a-year subsidy to producers of mohair neatly limns the utterly shameless, insensate, exploitative quality of our careerist state.

For Will, the purpose of term limits isn't to shrink or rationalize the corporate state. It is to defend it and to rekindle Americans' love affair with big government. Will is alarmed that disaffection from big government has thrown politics into gridlock, preventing institutions in Washington, D.C., from solving problems and meeting needs. He advocates term limits as a way of reducing the gulf between government and the people, making government admirable and trustworthy again, and restoring public confidence so that Will and his friends can get on with the business of ruling. He rejects the scenario in which a term-limited Congress shrinks the government; he argues against spending limitations.

Will's idea of a big government made lovely by a revival of deliberative processes, republican morality, and a new closeness between private society and public institutions is mostly nonsense. In the abstract, it may sound nice. But what we're talking about here isn't an abstraction, it's the mohair subsidy. Will talks as if a reformed Congress would give us mohair subsidies a disinterested citizen could take pride in.

But the point about the mohair subsidy is that it is publicly indefensible by its very nature. Its aim isn't to advance public purposes but to confer private privilege. A true renaissance of deliberation and public spiritedness will lead not to better mohair subsidies but to the rejection of mohair subsidies.

If Will really is in favor, as he says he is, of a revival of constitutional government, then he has no choice but to want, or at least anticipate, a reduction and reshaping of the role of government along Lockean lines. And if he wants to keep the big government we've got, then the talk about term limitation and deliberation and republican morality is empty rhetoric—a gesture to placate and distract an angry public rather than to respond to its sense of grievance.

Thus Will's book exemplifies the careerists' effort to co-opt the term-limitation idea. What's genuine and controlling in this book isn't the desire to reform a corrupted system but the desire to use term limits to maintain politics as usual.

Signs of the perverse and disingenuous quality of Will's interest in term limitations are everywhere in *Restoration*. In the introduction, for instance, he tells us that until recently he'd had nothing but contempt for the term-limitation idea but that now he's changed his mind. Yet he describes no transformative experiences leading to this reversal; he merely cites the growth of public support for term limits, plus his discovery that some of the Founding Fathers supported the idea. In other words, in typical careerist manner, he's seen which way the wind is blowing,

STEVE MCBRIDE

and this book is his effort to run before it.

Then there's the matter of the dedication. "To Pat and Liz Moynihan and Jack and Sally Danforth," Will declares. "Were more of the people who came to Washington like these four, this book would not have been written." The reference, of course, is to the senior senators and senate wives from New York and Missouri, who are, it's true, admirable people. But they are third termers and professional Washingtonians and politics-as-usual types who, their intellectual abilities apart, exemplify what term limitation is trying to put an end to. What in hell is a book about increasing rotation in office doing making fervent declarations of admiration and affection for people whose careers embody the principle of a low level of rotation in office?

Consider, by contrast, Will's treatment of Rep. Newt Gingrich, the conservative Republican from suburban Atlanta and House minority whip who has been at the forefront of a small group in the House who have been working aggressively to embarrass, confront, and defeat the Democrat-dominated system of House politics, the ending of which term limitation is all about. In his personal guerrilla war against the system, Gingrich hasn't been perfect. He accepted the traditional whip's perk of a government-provided car and driver, bounced two checks at the infamous House bank (one of them made out to the IRS), and ran against his first serious primary challenger in years on the promise that with his clout he could do "more for Cobb County."

Will heaps ridicule on Gingrich as the prime example of the effort to service constituencies without regard for the public merits. This attack is an act of monumental hypocrisy. Gingrich has based his career on assailing the system Will now concedes must go. But on the basis of a few mistakes of judgment, which Gingrich has admitted and apologized for, Will turns him into a symbol of the abuses of the system.

Meanwhile, he dedicates the book to Pat and Jack, big spenders who embody, defend, and benefit from the system of constituency service and who have never apologized once for any of thousands of votes cast for indefensible interest-group ripoffs. They are celebrated as paragons of deliberative brilliance and republican virtue, while poor Newt Gingrich, the uncool gadfly and sweaty Lockean crusader, is the villain of Will's save-the-system melodrama.

Will professes to have learned, in a career spanning academe, the Hill, and journalism, not just that ideas matter, but that ideas are practically all that matters in public life. He's quite right, and it is with respect to the ideas at stake in the Washington problem that Will's book is at its emptiest.

In response to the intelligent, constitutionalist arguments of economist William Niskanen for a spending-limitation amendment, Will scoffs, "The doctrine of enumerated powers [that the federal government may do only what is explicitly

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authorized by the Constitution] is as dead as a doornail. The modern state is a sprawling, palpitating fact, and here to stay." This, of course, isn't an argument or an answer, just hostile bluster that whatever is, is right. It's a response typical of a Washington careerist practiced in the arts of turning public matters to private advantage.

Will notwithstanding, term limits are part of a fundamental critique of the way the Washington world works. Advanced within that framework and as part of a larger program of change, they're an excellent idea. But urged in isolation and by themselves, as a technical fix, they're readily subject to co-optation. The book the term-limitation people need is one combining George Will's political sophistication with James Coyne and John Fund's political values.

Contributing Editor Paul H. Weaver is a research fellow at the Hoover Institution and the author of News and the Culture of Lying, *to be published this year by The Free Press.*

Of Deep Ecologists and Deep Marketeers

BY KARL HESS JR.

Green Delusions: An Environmentalist Critique of Radical Environmentalism
By Martin W. Lewis, Durham: Duke University Press, 288 pages, $24.95

Radical environmentalism is fast becoming America's new red menace. Though green and bent on liberating nature rather than workers, its minuscule legions are eliciting strident attacks from both left and right. Liberals berate eco-radicals out of distaste for their innate anarchism and out of fear that their extremism may ignite populist reaction and subvert liberal agendas. Conservatives loathe them because eco-radicals are anti almost everything—including, most importantly, Christianity, corporations, and capitalism.

Bashing radical environmentalism is not a major interest of mine, though I must confess pleasure in taking an occasional swipe. For the most part, I have stayed on the sidelines, watching the spectacle of the ideologically diverse ganging up on the ideologically eccentric. That is, until recently.

Two events have forced me from the sidelines. The first event was a review by the American Library Association that described a recent book of mine as having been written from the perspective of a deep ecologist. (Deep ecology stands apart from the "shallow" ecology of mainline environmentalism by virtue of its biocentric view of society and nature.) A devotee of technology, a defender of the free market, and a libertarian in a long line of libertarians, I stood accused of being *one of them*—a high sorcerer of ecological voodoo whose agenda includes the depopulation of the earth and the end of civilization. I was dumbfounded until the second event came about: I read Martin Lewis's *Green Delusions*.

The author most fears radical environmentalism not for its biases against progress and technology and its logical inconsistencies but for its "libertarian leanings."

Until *Green Delusions*, Alston Chase's *Playing God in Yellowstone* stood out as the mainstream assault on radical environmentalism. In that book, Chase chastised the "California cosmologists"—a coven of deep ecological philosophers and primitivists—for turning America's first national park into a wasteland of deep-ecological ideas. Lewis, a former radical green, now continues with vengeance what Chase began. In the tradition of former fellow-travelers (witness Whittaker Chambers), he mounts a frontal attack on errant greens with an impressive body of facts and a steady stream of polemics. "If at times my aspersions are caustic," Lewis writes, "it is because I have had to battle against these seductive ideas myself."

Lewis's battle is meritorious in many ways. His command of history and geography allows him to expose the more simplistic assumptions of eco-radicals. He counters the green love affair with primitive cultures—the presumption that primal people lived in harmony with their environments—by detailing the sad environmental record of ancient people. From pleistocene hunter-gatherers driving mammoths, saber-toothed tigers, and giant beavers to extinction, to massive destruction of wildlife on the North China Plain and in the Yangtze Valley, Lewis makes a crucial point: Western civilization is neither unique in its disruption of nature nor singularly culpable for environmental destruction.

Lewis takes his argument even further, however, by suggesting that the ideas of radical environmentalism—ideas like the dismantling of civilization, the end of markets and trade, the abandonment of technology, and the glorification of agrarian life—are more threatening to global environments than the worst evils of biotechnology and the most sinful pollutants of capitalism. In a world of 4 billion people, such prescriptions would indeed be environmentally threatening. They are also ludicrous. As Lewis notes, it is prosperity that nurtures a society's environmental sensibility; it is poverty that dulls it.

On the face of it, Martin Lewis has done reasonable people a favor by unmasking the red/green menace. Yet beneath *Green Delusions'* surface of good sense, good arguments, and wealth of facts, there is an offensive quality to the author's argument—a disposition toward statist environmental prescrip-

tions that belies his shocked sensibility at the propensity of eco-radicals for illiberal solutions. Radical environmentalism, for all the biases it holds against modernity and technology and for all the inconsistencies that can be found in its thought, is most feared by the author for its libertarian leanings—tendencies which the "liberal moderate" Lewis decries as reactionary laissez-faire and extreme, right-wing conservatism.

It is this second level of Lewis's book that intrigues and troubles me, and that points to the affinity between libertarian and radical environmentalism. Basic to eco-radical thought is opposition to centralized power—a view that is, Lewis derisively notes, "virtually identical to that held by the members of the marginal right-wing camp of so-called free market environmentalism."

"Radical environmentalists' extraordinary faith in decentralized political power," Lewis adds, "runs counter to...traditional liberalism." One can only speculate about whose brand of liberalism he is referring to. Certainly not that of Thomas Jefferson!

Indeed, Lewis's brand of liberalism is "first to embrace, and then seek to reform, capitalism." And his program of reform is avowedly anti–laissez-faire. He calls it "Promethean environmentalism" or, more generally, "guided capitalism"—"a corporate and market system in which the state mandates public goods, in which taxes are set both to level social disparities and to penalize environmental damage, and in which fiscal policies are manipulated to encourage long-term investments in both human and industrial capital."

Lewis's vision is the perfection of the corporate liberal state, "a partnership model, one that regards workers, managers, and investors as striving in team-like fashion...[to form a] collective entrepreneurship." Do guided capitalism and collective entrepreneurship sound familiar? They should. For those with long memories, they were the economic flagship of Italian fascism. For those with shorter memories, they are the economic cornerstone of Bill Clinton's new liberalism.

Lewis's embrace of guided capitalism obscures the original message of *Green Delusions* and turns it into an intolerant, across-the-board assault on intellectual diversity. "Eco-radicals [who] view diversity of opinion as...vital" are scorned as reactionaries and quasi-libertarians, and libertarians are rejected as right-wing fanatics outside the American political tradition. Even Aldo Leopold, father of the modern environmental movement, is dismissed as a kook who delighted in shooting ducks. Indeed, Lewis's mania for pushing the Promethean solution of guided capitalism makes one wonder whether his environmental protestations are simply vehicles for a more sinister agenda.

Nonetheless, *Green Delusions* offers a lesson that should be heeded. Markets

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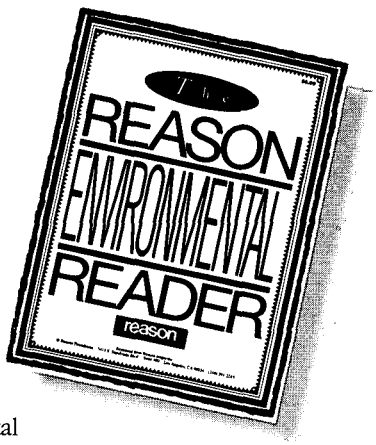

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and market mechanisms have become the fad of the 1990s. Everyone, from former communist leaders to American presidents to Martin Lewis, has become enamored with the market concept. But the market they extol is not the free market, the *deeper market* of classical liberalism and libertarianism. Rather, it is the shallow market of Promethean capitalism, the manipulated market that radical environmentalists and free-market environmentalists shun (to Lewis's chagrin) because market mechanisms legitimize pollution, "as if fouling the environment were some kind of right."

Clearly, Lewis has no use for the Hayekian leanings of deep ecologists and deep marketeers. The view that "there is a kind of order that arises spontaneously and systematically when many self-concerned units jostle and seek their own programs" is not one shared by the author. It is, of course, shared by libertarians and classical liberals. Interestingly, the above quote was written by Holmes Rolston, a prominent deep ecologist and eco-ethicist.

After reading Lewis, I am not ashamed to be called a deep ecologist. Deep marketeers, who respect nature no less than eco-radicals, could find much worse company. And if being called a deep ecologist means agreeing with Lewis's chief deep-ecological nemesis, Christopher Manes (author of *Green Rage*) on the most important points, then so be it. I join Manes in his celebration of Jeffersonian democracy "as radical, grassroots democracy, based on the ward level and ever prepared to overturn any accumulation of power by those in leadership roles." And I concur with Manes that the menace to American society and American wildlands lies not on the periphery among fringe environmentalists but rather in the heartland of American politics. Corporate liberalism is alive and well.

Karl Hess Jr. is a senior associate with the Foundation for Research on Economics and the Environment, a senior fellow in environmental studies at the Cato Institute, and author of Visions Upon the Land: Man and Nature on the Western Range *(Island Press).*

Auto Mobility

BY ROBERT W. POOLE JR.

Stuck in Traffic, by Anthony Downs, Washington, D.C.: Brookings Institution, 210 pages, $10.95 paper

In 1990, according to the U.S. Census Bureau, more than 86 percent of us drove to work, nearly all at rush hour. Only 5.3 percent used any form of mass transit, a 17-percent decline from 1980. A smaller fraction of us car-pooled, walked, rode bikes, or worked at home in 1990 than in 1980. Despite billions of dollars in federal, state, and local subsidies for mass transit, the automobile—and especially the single-occupant auto—has increased its role as the overwhelming mode of choice for getting to and from work.

One result, of course, is heavy rush-hour congestion. In Los Angeles, the nation's congestion capital, some freeways are congested not just at rush hours but for 10 or 12 hours a day. Congestion costs Angelenos some $6.9 billion a year in extra gasoline, wasted time, and higher insurance costs, according to the Texas Transportation Institute. For the largest 39 urban areas, TTI estimates total congestion costs of $34 billion a year.

Coping with peak-hour traffic congestion is the focus of Anthony Downs's new book. Downs is a senior fellow in economics at the Brookings Institution and a longtime analyst of housing, land-use, and urban transportation problems. Among other things, he is known as the author of what is sometimes called the iron law of freeway congestion, or simply Downs's Law: that on urban commuter expressways, peak traffic congestion rises to meet maximum capacity. In other words, every time you improve things—by adding extra lanes, getting some people to car-pool, or shifting others to mass transit—the decreased congestion attracts new traffic: drivers who formerly used alternative routes, drivers who used to avoid peak hours, and people who used to ride-share or use mass transit. (Downs now calls this "triple convergence.")

In *Stuck in Traffic*, Downs carefully and systematically explains why congestion has gotten so bad and what we might be able to do about it. Congestion is especially bad where population has increased rapidly and road building has not kept pace; in addition, the ratios of cars to people and of miles driven per car keep rising. But underlying these immediate causes are some basics of land use and lifestyle: Most Americans prefer to live in low-density suburbs and (increasingly) to work in campus-like surroundings, not downtown highrises. Getting from tens of thousands of origins to tens of thousands of destinations (rather than to one or several urban cores) is vastly more convenient with personal vehicles, rather than with any form of shared transportation.

So what can we do? Since congestion, at its most basic, is an imbalance of supply and demand, we can attack it by increasing the supply of transportation or decreasing the demand. Downs shows that large-scale expansion of public transit systems, especially rail transit, is subject to the same limitations as adding more freeway lanes (because of the "iron law" noted above). And attempting to build our way out is also horrendously expensive.

So he devotes a lot more space to demand-side remedies. Peak-hour road pricing (the new buzzword is "congestion pricing") gets well-deserved attention as the one measure that can defeat the iron law. All the latent demand will be attracted back to a reduced-congestion freeway *if the price to get on is zero*. But at a serious price (say 15-20 cents a mile), many freeways could be kept free-running at rush hour.

Conventional wisdom says that road

pricing is politically unrealistic, so Downs proceeds to examine a host of other demand-side possibilities: eliminating free parking, increasing gasoline taxes, promoting ride-sharing, etc. And he goes beyond these conventional measures to examine some of the planners' latest dreams: increasing residential densities, forcing greater "jobs-housing balance," *creating dense job clusters, and imposing* local growth-management regimes. Calmly and analytically, Downs proceeds to demolish these putative remedies, either as unable to make much of a dent in congestion or as politically untenable.

The pièce de résistance is a summary table evaluating 23 possible congestion remedies on the basis of effectiveness, cost, implementation, and political acceptability. The potentially most comprehensive and effective remedy is, of course, pricing of both roads and parking. Some other measures—such as roving response teams to clean up accidents and fostering transportation management associations—are of moderate cost and could make marginal improvements. But the big losers are also clearly identified: costly rail transit, local growth controls, and jobs-housing balance.

Fortunately, the political infeasibility of congestion pricing seems to be changing. The latest federal highway act encourages large cities to create congestion pricing pilot projects. The private sector has begun developing congestion-priced toll roads in urban areas; the first one will be in Orange County, California. And environmental groups such as the Environmental Defense Fund and the World Resources Institute have endorsed the idea as better than paving over America.

Unfortunately, rail transit boondoggles, growth controls, and jobs-housing balance are still the remedies of choice for most urban planners. If left unchecked, those planners will waste billions of dollars, erode our liberties—and we'll still be stuck with monumental traffic congestion.

So buy this book and give copies to your local elected officials. With this kind of intellectual ammunition (from no less a source than the Brookings Institution),

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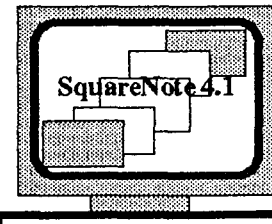

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Robert W. Poole Jr. is president of the Reason Foundation and publisher of REASON. *He is the author of numerous studies on transportation and congestion pricing.*

Reclaiming the Mainstream: Individualist Feminism Rediscovered, by Joan Kennedy Taylor, Buffalo, N.Y.: Prometheus Books, 271 pages, $24.95. You've come a long way, baby—from the individualist women's movement of the last century to the collectivist feminism of today. Unfortunately, many of the principles and goals of the woman's cause were compromised along the way. In *Reclaiming the Mainstream: Individualist Feminism Rediscovered,* Joan Kennedy Taylor argues that the 18th- and 19th-century founders of the women's movement have much to teach us today.

The Woman Movement, as it was originally known, appealed to a wide spectrum of women and men because its supporters did not argue, as feminists do now, for public-policy changes to protect the "second sex." Instead, such early feminists as Mary Wollstonecraft and John Stuart Mill championed a simple principle: freedom, the freedom to pursue property and happiness without interference from the state or from fathers, husbands, and brothers.

Taylor writes that it wasn't until the Progressive era around the turn of the century that the Woman Movement began to turn its back on its individualist heritage, adopting a political platform that called for social reforms. The activists abandoned their principled stand for the extension of individual rights to women and against government intrusion into marriage contracts, birth control, and other private affairs. Soon to adopt the word *feminist* to describe their new goals and viewpoint, these activists called for the prohibition of alcohol and for protective labor legislation for women and children. As feminism compromised its principles of laissez-faire, the movement marginalized itself from mainstream America.

Reclaiming the Mainstream is not all history, however. Taylor devotes half of the book to contemporary women's issues: abortion and birth control, rape and sexual harassment, attempts to unify feminist and nonfeminist women's groups against pornography, and that "treasured concept of radical feminists," victimization. She asks women to become more principled and more consistent in their convictions about the role of the state in their lives when it comes to these issues, and she warns against legislation, often passed at the behest of women's groups claiming to speak for all women, that "purports to convey a benefit."

Taylor believes that, despite the collectivist mindset of contemporary feminists, the individualist spirit of the movement's early days is still with us. She argues that two of the most important feminist issues in recent decades have had individualism at their heart: the Equal Rights Amendment and the consciousness-raising trend of the 1960s and '70s. Unfortunately, she omits any discussion of the arguments against the ERA—based on predictions of how the courts would interpret the amendment—that might persuade a libertarian to oppose it.

The consciousness-raising movement also had consequences perhaps unforeseen by its instigators. While most feminist leaders hoped such groups would lead to political action, "more often the action taken was to change one's own life," writes Taylor. Women were discovering that a community can uplift the individual without requiring that individual to subvert her rights to those of the group.

Although Taylor occasionally oversimplifies the past in her discussion of what individualist feminism holds for the future, *Reclaiming the Mainstream* is a most welcome introduction to a historical movement with which all too few Americans are familiar. Her challenge to retie the community bonds that were so strong in the '60s and '70s while reshaping the women's movement into one that is "more self-consciously individualistic" than of late would be a difficult but rewarding endeavor for many who claim "women's rights" to be their call to battle.

—Elizabeth Larson

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OOPS!

BY THOMAS W. HAZLETT

No sooner had Mr. Clinton been elected than his skin began turning colors before our very video-enhanced eyes. The promised tax cut for middle-class America was put on hold, or was it? No decision had been made by the president-elect, firmly intoned chief Clinton economic adviser Robert Reich—which underscored that the mere existence of a promise was not seen as an important constraint on policy behavior. Now boxed in by the real world, the thunderous campaign pledge to extend low-cost health insurance to every American shriveled to a squeaky post-election prediction that a health-reform bill would be sent to Congress within 100 days—sorry, no guess on when (if ever) anything would become law.

And the gung-ho "get America moving again" pledge, useful in bashing the incumbent Republican as a "do-nothing President," was pushed to the back burner. Now, Hooverian conservatism: We must be very careful in enacting a stimulatory economic package, fearful that we might upset capital markets (by spending too much and having to borrow even more). This caveat tacitly admitted that the jerry-rigged economic-recovery plan Mr. Clinton had promised was logically inconsistent with the closing of the federal deficit, which Mr. Clinton had also promised. Alas. The simple fact is that Mr. Clinton's promises cannot all be kept; it isn't arithmetically possible. Damn that decimal-number system!

I know Mr. Clinton didn't want to make all those bogus promises but was forced into it by Republican Dirty Tricksters. He didn't want to be Willie Hortoned! Michael Kinsley has smartly (and gleefully) justified the disingenous Democratic campaign for the White House: So what if we lied about the economy. And the budget. And maybe the deficit. We lied slightly less than the GOP, and, anyway, you have to fudge the truth to get elected, for chrissake. Lee Atwater and Roger Ailes taught us that!

Fair enough. The Republican devils made you do it. But breaking promises is a very tricky business. (Ask Mr. Bush.) Thus far Mr. Clinton has been clumsy.

On his pledge to slash congressional staff expenses by 25 percent, for instance, he reneged after just one meeting with Democratic leaders in Washington, upon hearing Senate Majority Leader George Mitchell's explanation that such a cut had already been instituted. (Right. And—if you just remember to carry the 1—the federal budget is balanced.) You're really going to have to break your promises a little better than that, Mr. Clinton. A few helpful ploys:

The "I Never Said That" Defense. Needs secondary positions in the age of instantaneous on-line data-base searches. A heated "I Never Meant That" or "That's Taken Way Out of Context" are necessary fallbacks, because after a long campaign, chances are you did say that. Good points: Snappy retort, puts press pipsqueaks quickly in their place. Bad points: It's basically lying.

The "I Never Promised That" Defense. A pledge is different from a promise. Very technical, can get otherwise intelligent people debating minutiae for days, by which time you've escaped to a new photo op. Good points: Diverts attention from public-policy issues to rhetorical issues. Bad points: It's basically lying, sort of.

The "Things Have Changed" Defense. OK, so I forgot to qualify my promises; everyone knows that a public-policy promise can only be premised on the events existing at one point in time and that as time changes, things change...and so ought one's promise! Good points: Things always change. Bad points: It's quasi-factual construction.

The "If I Knew Then What I Know Now" Defense. Good points: Shows you're growing in the job. Can't be used against you next time, because by then you'll be the incumbent. Bad points: Contains a germ of truth.

The "I Don't Know What I Was Thinking" Defense. Good points: Makes you seem human, gains public sympathy. Bad points: An outrageous lie. You know exactly what you were thinking. ("Dear God, don't let me lose now!")

The "At Least I Didn't Say 'Read My Lips' " Defense. Good points: Redirects attention to someone who obviously did lie, and it's not you. Bad points: It reminds everyone of the last guy they booted out, and why.

The "If You Didn't Want Slick, You Shouldn't Have Voted for Willie" Defense. Take the middle-class tax cut. During the campaign, you played the middle class like a matador teasing a bull. You flashed "Tax Cut!" in New Hampshire and swept the primaries (even as Sen. Tsongas called you a Pander Bear). In June, with the nomination tucked away, *¡olé!* You dropped the tax cut like an old girlfriend gone to *Penthouse*.

In the heat of the general-election campaign, you re-upped on the tax-cut pledge. Again the electorate lunged for the cape—*¡Hasta luego, el tax cut!* You have every right to say: "Sure I waffled. Even Bush knew I'd be 'pulling a Clinton.' What you think you see is what you never get. Gotcha!" Good points: It's honest. Bad points: It's the truth.

Just observe these little rules for sliding out of your major promises, and you'll do fine. In fact, I think I speak for every voter in America when I say: Mr. Clinton, just level with us like this, treat us with all the respect you afforded us on the campaign trail, and we promise to vote for you—no one else—in 1996. And that's a pledge. Honest.

Contributing Editor Thomas W. Hazlett teaches economics and public policy at the University of California, Davis.

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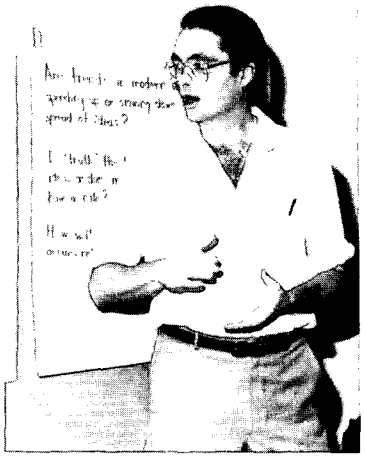

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